The Management Review

THE MONTH'S BEST IN BUSINESS READING . . .

Digests
Feature Articles
Book Reviews

. . . in all fields of management

DECEMBER, 1954

Among the Features

This Issue Includes Index to Volume XLIII

AMERICAN MANAGEMENT ASSOCIATION

M. J. DOOHER, *Editor;* VIVIENNE MARQUIS, *Associate Editor*
ROLAND MANN, *Digest Editor*

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 36, N. Y., at seventy-five cents per copy or six dollars per year. Vol. XLIII, No. 12, December, 1954. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y. under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers *one month in advance,* and postal unit numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by the authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December number. The contents are also indexed in the *Industrial Arts Index.*

THE MANAGEMENT REVIEW is microfilmed by University Microfilms, Ann Arbor, Mich.

Volume XLIII No. 12

DECEMBER, 1954

The Management Review

A Partial List of Contents

Trends and Perspectives

Management Policy and Practice

Operating Guides for Executives

What Others Are Doing

For the Specialist

"Rugged Individualism": A Brake on Progress?

In the early days of industrial enterprise, the role of the individual was clear and obvious. A hundred years ago, something like four out of every five persons were self-employed. Business units were small and compact, and communication was simple.

Today the reverse is true. Four out of every five workers are employees of someone else. Much of our present industrial effort, requiring as it does unusual combinations of skills and resources, demands the organization of large numbers of people. With the advance of science, even research has of necessity come out of the attic and the backyard workshop into the laboratory with hundreds of employees. In a sense, this merging of individual into group effort is a measure of our progress, for the team exerts a leverage upon human effort that enables us to do together things far beyond the range of any of us working alone. It is a trademark of our times and, I am sure, a hallmark of our future.

Unfortunately, as we become more and more dependent upon team performance, it becomes increasingly difficult to isolate and recognize individual accomplishment. In the field of science, in the field of business, in the field of politics, and in the military, we see emphasis placed on the theory that the individual exists only as a member of a group and that he is valuable and effective only as he works well with others.

This situation has created what seems to me to be a major management problem. For we must always, no matter how conditions change, preserve the individual incentive and individual opportunity that is vital to all successful endeavor. We must not obscure the essential uniqueness of the individual by permitting the composite of the many to become a standard.

There is evidence that we are in danger of doing so. Too many of our research establishments have a tendency to measure their stature in terms of staffs, buildings, equipment, and budgets. Too much of our legislation appears to discriminate against and to discourage individual accomplishment. Too many of our schools seem to be teaching us that man's highest pedestal can be reached through harmonious conformity rather than original personal achievement.

It seems to me that there is much danger in the assumption that quantity will ever beget quality, or that any amount of money and staff and buildings can substitute for the creative output of a single gifted individual. The group serves as a powerful stimulant of ideas and a profound judge of their merit, but it cannot produce the flash of inspiration on which success and progress depend. We cannot afford to make a displaced person out of the Man with the Big Idea.

Individuals cannot be classified into neat little bundles and judged wholly on their capacity for adjustment. The other day I took one of the standard psychological testing sheets used so widely now in personnel work and

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

applied it to a rare and highly individualistic American—Benjamin Franklin. Based on what we know of Franklin's character, I could only conclude that he would have had bad luck winning a place for himself today if he were judged on these standards.

One of the questions asks, "Do you daydream?" Ben, I am afraid, did. An affirmative answer would merit a poor score on the test, although Franklin's daydreams brought useful results in fields ranging from political science to stoves and bifocal spectacles.

No doubt, Charles Goodyear and Elias Howe would also have been rated as impractical dreamers. Thomas Edison, with a history of insomnia and carelessness in dress, might well have been regarded by the modern personnel manager as an undesirable risk.

It is quite obvious that these men of unusual gifts would fail to measure up by accepted group standards, for the very reason that they were unusual men—and it was their unusual characteristics that led them to greatness.

In the past 25 years, some really fundamental parts of the American structure of democracy have become little more than historical relics, preserved carefully under glass and sometimes exhibited as curiosities, but nonetheless retired from active service. In its attitude toward the individual, our concept of government has undergone a basic change. Concern for the individual has been to some extent replaced by a rationale which persuasively justifies itself under the plea of "the greatest good for the greatest number." This is perhaps a fine ethical principle, but when it is applied in such a way as to submerge the privileges of the individual and to infringe upon his rights, we sacrifice both our conscience and our substance.

First, by giving one individual a mortgage on the efforts of another, we execute a twin injustice. One we deprive of the fruits of his labors and the rightful rewards of his industry and thrift. The other we deprive of his sense of responsibility. In the long run, I am not sure who suffers the greater loss.

Secondly, we impoverish ourselves, because, in time, we shall have less and less to share as the will and the incentive to gain are weakened.

This is a serious turn of affairs and calls for serious thinking. When it is reasoned through, only one answer can emerge. We have progressed, in the past, in direct proportion to the degree of individual freedom afforded us, and our progress in the future will be measured on precisely the same scale of values. In the individual's sacred right to think, to plan, to create, and to dream rest the hope and the safety of our future.

—From an address by Crawford H. Greenewalt (President, E. I. du Pont de Nemours & Company) before the National Safety Council.

THE REAL TRAGEDY is the tragedy of the man who never in his life braces himself for his one supreme effort, who never stretches to his full capacity, never stands up to his full stature.

—Arnold Bennett

Can Business Check the Business Cycle?

Business men have normally increased their spending for new plant and equipment only when profits are rising. When profits drop, so does capital investment.

Since the end of World War II, economists think they see signs that this historical pattern can be broken up. They think management may be setting investment policies that will stabilize, rather than accentuate, a business decline.

What happens in the coming months may very well provide an answer to the economists' question: Can business men ignore short-run dips in their capital spending plans?

Only twice since 1929 have they done so: in World War II and the Korean buildup, both exceptional periods.

In World War II, business profits rose sharply, but private investment dropped, chiefly because the government itself was building plants.

In the Korean war, the reverse occurred. In the period 1951-52 business for the first time increased its capital expenditures while the money it had left after taxes was dropping sharply.

Imagine yourself as head of a farm equipment company. A few years ago you read all the signs—population growth, firm farm price supports, lack of mortgage debt by agriculture—and you laid out a long-range capital spending program, say, for five years.

What do you do today? Farm equipment sales are down, profits are off, and the competition is fierce. The decision economists hope you would make is to continue your program of capital outlays regardless of the short-term outlook. (But they'd urge you to do this by modernizing old capacity or bringing out new products—not adding more capacity for tractors.)

On the other hand, if you follow past practices of business generally, you would cut back pretty quickly.

Even the most enthusiastic supporters of attempts to regularize business investment will agree that there have always been good business reasons for the old management policy.

So why is management discussing ways and means of doing the very thing that many admit looks impractical?

Two reasons seem most important:

Business men as a whole feel that the long-range economic outlook—beyond the next year or two—is favorable. They have finally gotten over the shock of the Big Depression and the fears and doubts it caused. They feel that an investment today will eventually pan out handsomely.

An increasing number of business men, during the prolonged postwar boom, have become used to the idea of making firm dollar-and-cents decisions based on five-year projections. That's especially true in big companies.

It may also be true that more and more business men are injecting a sense of social responsibility into their business decisions. A decision that looks smart from a strictly financial view may seem less bright in the light of its effect on the economy as a whole.

Hence, if there is anything management can do—individually or as a

group—to maintain a healthy economy, it wants to hear about it.

For quite a while economists have been asking business men why they don't adopt a counter-cyclical capital expenditure program. No one thinks a company acting singly could do this. But if all businesses agreed to hold back capital outlays when times are good and to go ahead when times are bad, the ups and downs of business would quickly be ironed out.

One top financial vice president's reply to this idea: "Comic."

Most management people would agree. They simply cannot see themselves delaying capital expansion in a rising market. That would be inviting your competition to steal large chunks of your share of the market. And as for spending when there is a decline, they tell you that the governing factor has to be the availability—not necessarily the cost, though—of money. If profits drop sharply, so will capital spending, since a good share of investment money usually comes out of earnings.

Another idea is being advanced by economists and by some top management men. Melvin G. de Chazeau, Cornell University professor and an expert on the steel industry, calls it "non-cyclical" capital investment. By that he means a long-range spending program based on sound projections, but steadily ignoring year-by-year fluctuations.

You can find good business reasons to support the belief that this approach is a realistic one:

Business generally assumes that no matter which party is in power the Federal Government will act to forestall a major depression.

Beyond that, technological changes come rapidly these days. It would be a conservative management, indeed, that refused to keep up with such changes regardless of the immediate business outlook.

Then, too, management has available a lot more information than it ever had before. In the past, a lot of decisions had to be made by guesswork, with confidence (or lack of it) at any given moment an important part of the guessing.

Research laboratories are common in most industries today. That fact, too, will force capital spending if companies want to stay abreast of competition.

Top management looks on itself today as heading up a group of profit-making organizations, not just a steel or can company. It doesn't hesitate to spread into fields it might once have left alone. The result is a steadier flow of corporate dollars into new projects, even though the basic business may have too much capacity.

As long as there is money available either from earnings and depreciation or from outside sources, management's attitude today seems to be: "Keep spending it."

Naturally, there are dissenters. Joel Dean, Columbia University professor and a capital investment consultant, believes that if management measures the return on its investments scientifically, it will find that when a business decline seems certain the proper move would be to curtail capital outlays. You'd be ahead that way because of the savings on costs in acquiring capital equipment and plant.

But some companies, conscious of

this possibility, say they have made statistical studies that show that the hope of saving by buying at the bottom is washed out by (1) the risk of losing markets if you're caught short without facilities when business swings up, and (2) the actual cost in cash of rushing to build new facilities when demand comes unexpectedly. So to these companies a policy of regular investment—rather than gambling on short-run cycles—makes sense.

—*Business Week*, September 4, 1954, p. 104:5.

Design for Confidence

IF ECONOMISTS wrote history in brighter phrases than they generally use, they might call the current period "the year of the calm dollar." In fact, the present spell of stable prices has been longer than that, if you review the record of what money can buy. The index for measuring the purchasing power of the dollar is based on a three-year average for 1947-49, with that period's dollar representing 100. By this gauge the 1952 average, in terms of consumer prices, was 87.6. Since then the lowest point touched was 86.7 in October, 1953. The highest point occurred in February, 1953, when the dollar stood at 88.2 per cent of that three-year average.

Various prophets, at various times in the year-and-a-half ending last June, have spoken of the possibilities of inflation. Now, with the federal budget for the current fiscal year again tilted out of balance, you will hear more about inflation. Any serious pressure on the dollar doesn't seem likely. In view of the record, and recalling postwar years when the value of the dollar shrank drastically at times, the current stability seems hard to shake.

Consumers reflect their confidence in several ways. They save about 8 cents out of every dollar of disposable income. In this way they keep for family reserves about $20.5 billion out of a personal income which, for the past 12 months, has been at the annual rate of $251.5 billion.

So the consumer, whatever his individual financial troubles may be, has been doing rather well for quite a long time now. He seems likely to go on spending around 92 cents of every dollar, and of getting with it a purchasing power of about 87 per cent of the 1947-49 average, that pre-Korea dollar which is the yardstick. He can figure his ordinary living costs well in advance—and when the time comes for a major purchase, he can take advantage of better terms than he had five years ago.

This, in a real sense, is one definition of prosperity.

—*The Biddle Survey* (Biddle Purchasing Co., New York) 9/21/54

THE TIME LAG between the acquisition of new scientific knowledge and its application to useful ends is now so short that the rate of our technological progress is largely determined by the amount of our fundamental research effort. Our dependence upon *fundamental research,* since it yields intangibles, is easily forgotten. Thus it needs the encouragement and support of enlightened groups in schools and colleges as well as in scientific and professional societies.

—WILLIAM D. COOLIDGE (Retired Vice President and Director of Research, The General Electric Co.) as quoted in *Industrial Research Newsletter* (Armour Research Foundation, Illinois Institute of Technology)

Automation: How Far Should You Go?

Automation is glamorously stereotyped as the "second industrial revolution." But it is neither revolutionary by nature nor distinct from mechanization, the instrument of the only industrial revolution to date. Automation is simply another manifestation of the growing trend toward more efficient operation, a trend that is being shaped to meet a changing economic picture.

Automation must therefore be viewed from an economic standpoint. Such questions as these must be asked: "Does our market justify the capital investment for automation, demanding higher production rates and/or lower unit costs?" "Can we produce this product differently to make automation economical, or should we redesign the product itself for automation?"

If it is determined that automation is economically feasible, a decision must be made on how much automation to use. Factors influencing the degree of automation that can be applied in any given case are: available capital; present and proposed production equipment and capacities (including length of production runs and frequency of model change); nature of the workpiece and of the operations to be performed; available personnel; and plant size and layout.

The money you have to spend will naturally determine the extent to which you can change from the conventional methods of your present production setup. It will, in some cases, preclude the use of automation; in others it will be the deciding factor in favor of automation. It is often practical to automate only a part of the whole process. Automating 80 or 90 per cent may offer substantial savings in manufacturing costs and may soon pay for itself. Automating the remaining 10 or 20 per cent of the handling may be prohibitive.

It must also be remembered that initial investment is not necessarily an indicator of final cost. According to Ralph E. Cross, executive vice president, Cross Co.: "The choice of the best process is accomplished by comparing the merits of several proposed plans of operation over a one-year period. Each proposed plan must take into account all factors of the company's profit, including sales income, material, labor, factory expenses, administrative expenses, interest and income taxes."

In considering the relationship between automation and production capacities, an important factor to keep in mind is the cost of conversion. It is improbable that a highly automated process will ever be used to make a one-of-a-kind type of product. Production requirements must be sufficiently large to justify continuous production over a reasonable length of time. However, many automation setups can be readily converted to conform to different part sizes or to model changes.

In determining its personnel needs under automation, management should not regard the new system as a device to reduce the total working force. Instead, automation should be viewed as a process that raises productivity per worker, improves working conditions, lowers the production cost per part and improves the quality and uniformity of the product. Generally, total employment will be about the same before and after automation. However, there will be a transfer of some workers in the plant. While requirements for operating personnel will be generally reduced, the need for supervisory, main-

tenance, and servicing personnel will be increased.

Downtime is a problem in any production setup, but when production is increased by the automatic process, the cost of downtime is considerably magnified. However, much downtime can be scheduled in the day's production run. For example, hydraulic, electric or mechanical checks, tool change, and other routine activities can be anticipated. Where it's appropriate, automatic banking of work between stations will obviate shutting down the entire line for each item.

Though the maintenance man must still be well trained, equipment makers are helping to simplify his job. W. F. & John Barnes Co., (Rockford, Ill.), for example, believes that one of the soundest approaches to automation is through maintenance simplification. This company is discussing the use of electric control panels consisting of sealed package units. When trouble occurs at any station on the line, the maintenance man could go to the section of the panel that controls the station. By a system of simple and rapid checks (perhaps even using indicator lights), he could detect the faulty unit, pull it out and replace it with a new one. The used unit could be returned to the equipment builder on a trade-in basis or repaired at the plant. Trouble-shooting could be cut from hours to a few minutes.

The dangers of excessive maintenance costs are overrated, experts say. Many routine preventive measures can be built in—e.g., automatic lubrication.

Automation will help management use available floor space more efficiently. Dr. David G. Osborn of the University of Chicago says, "Automation increases output per employee and reduces the plant space requirement. The average space reduction is around 50 per cent." With limited manufacturing space, automation is probably the best single means of increasing output.

Despite increased productivity per worker and resultant savings, improved product quality at lower cost is probably the greatest single contribution that automation offers. The human factor, always a variable, is virtually eliminated from the production equation. Time cycles can be made to repeat within a fraction of a second. Physical dimensions on a part can be reproduced accurately to within 0.001 inch in many operations. Most important, this accuracy and reproducibility are available at high production rates.

An example of what can be accomplished through automation is the warehousing operation at Hickok Mfg. Co. (Lyons, N.Y.). Chutes holding the merchandise are operated by remote-control code machines. The operator punches keys on the machine to indicate the type and quantity desired. Items released from the chutes fall onto a conveyor belt, and are carried to a packaging and shipping area. An entire order can be processed in the time it takes the operator to punch the keys.

Thus management's decision today is not "Should we automate?" but "How far should we go?"

According to Everett M. Hicks, vice president and manager of the Grinding Machine Division, Norton Co., (Worcester, Mass.), management must ask several questions when making this decision. "Have we selected the job which promises the greatest possibility of savings? Is the job one with a relatively high labor cost? What is the situation as to product design stability? Has the proposed equipment been studied for ease of mainte-

nance and changeover flexibility for design changes when they occur? Have we the skilled mechanical staff required to maintain automatic equipment or can it be obtained readily? Has labor acceptance of the proposed equipment been determined? Has downtime for tool maintenance been given sufficient consideration? And above all—*will it pay?*"

—*Steel*, Vol. 134, No. 15, p. 87:8.

Management Attitude and Employee Morale

Long before the so-called "fringe benefits" became a common subject for collective bargaining, group insurance, group hospitalization, profit sharing, pensions, illness and separation allowances, paid holidays and vacations, etc., had become standard features of modern personnel practice. Despite the increasing frequency of union demands in this area, the greater part of this expenditure is at management's own initiative and represents, in the logic of management, an "investment in employee good will." Yet, although there is ample evidence that these expenditures represent material additions to employee well-being, there is little evidence that they produce much "return" in the form of employee good will—the ostensible purpose for which the "investment" is usually made.

The usual theory on which management has operated has been that employees will appreciate management's generosity and their gratitude will be conducive to improved morale, higher productivity, etc. Actually, if management—in the way it introduces the benefit plan or in the way it talks about it—creates the impression that it *expects* appreciation, the reaction of employees is likely to be exactly the opposite of what management expects. On the other hand, it is clear that under certain circumstances employee benefit plans can be a definite aid in improving employee relations. The key factor seems to be the nature of the employees' experience with management and the degree of confidence they have learned to repose in management's motives.

Every action of management has two aspects, one "technical" and the other "symbolic." The technical aspect is the objective nature of the action. The symbolic aspect is the meaning imputed to the action. Every action of management is evaluated by the workers in both its technical and its symbolic aspects: What is it? and What does it mean? This applies not only to formal policies such as employee benefit plans but to every aspect of management behavior and to every contact between management and employees.

The homely example of employee washrooms will illustrate the point. Some managements have spent vast sums of money installing clean, modern washroom facilities on the assumption that this will help improve employee morale. That there is some relationship is undeniable, but here again it is far from simple and direct. Undoubtedly, poorly equipped and improperly maintained washrooms create employee resentment, but the thing

chiefly resented is the attitude of management which holds employees in such disdain that it fails to provide them with the ordinary decencies.

Installing a new washroom may remove one specific cause for employee complaint, but unless there is a comparable change in other aspects of management behavior there will be no improvement in morale: Employees will merely concentrate their resentment on the other evidences they see about them of the poor regard in which management holds them.

People cannot live or work together in any kind of continuing relationship without each party to the relationship knowing pretty well the attitude of the other. This applies in the home and it applies in the work place. A husband and wife cannot disguise for long their feelings for each other, nor may parents and children, nor managers and employees. Try as one may to hide or disguise one's real feelings, they will reveal themselves in one manner or another; the other party will not be fooled for long.

In intimate relations such as these, overt behavior is always closely evaluated in terms of motives. One husband brings his wife a beautiful bouquet of flowers, which she accepts as a further expression of the love and devotion he holds for her. Another husband brings his wife an equally beautiful bouquet which causes her to wonder what he's been up to now. It is not the beauty nor the cost of the bouquet which is important, but what it means—and the wife generally has a pretty good idea on that score, as does the husband in interpreting his wife's behavior toward him.

Too many managements try to find an "easy way" to improve employee relations. Through generous wage scales, liberal employee benefits, attractive working conditions, etc., they have sought to "buy" the loyalty and good will of their employees and thus avoid facing up to shortcomings on their own part which may be at the root of the employee unrest with which they profess to be concerned.

There is no easy way to improve employee relations. Basically, the problem is a moral and an ethical one. Attempts to deal with it by other means without facing up to this fact are sterile.

Technical improvements made possible by the application of scientific methods, the material advances provided by higher wage scales, shorter hours, generous employee benefits, better working conditions, and the like, are all important, but none of them reaches the heart of the problem—which is what lies in the hearts of the individual men and women who comprise the management of American industry.

—From an address by JAMES C. WORTHY (Assistant Secretary for Administration, U. S. Department of Commerce) before the Southern Relations Conference.

"APPLAUSE AWARD": It's a special citation for that supervisor of General Shoe Corp. who was outstanding in helping others to qualify for promotion. Promotees submit names of "most helpful" supervisors; Industrial Relations picks winners at end of year.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice, New London, Conn.)

Inflation: The Danger Is Past

THE TOTAL MONEY supply in this country is no longer excessive. As a matter of fact, in relation to the size of the economy, the money supply is now smaller than at any time since the '20s. Analyzing these two major economic developments in a recent address at the University of Wisconsin's School of Banking, John K. Langum, president of Business Economics, Inc., predicted that they would have far-reaching implications for business conditions and monetary policy.

It is true that the total money supply—i.e., dollars of bank deposits and currency—has reached an all-time high of more than 200 billion dollars, as compared with about 175 billion dollars in 1946, less than 70 billion dollars in 1940, and about 55 billion dollars in 1929. But the significance of the present record amount of dollars of currency and bank deposits has been reduced by real growth and major inflation during the postwar period, Dr. Langum said. This growth has resulted in more "money work" to be done, while inflation has cut the value of the dollar.

As a result Dr. Langum pointed out, the ratio of total money supply to gross national product now is about 56 cents of money per dollar of total output. In 1946 we had 84 cents, and in 1940 63 cents of money per dollar of total output. For a situation comparable to the present, we must go back to the '20s. In 1925 we had about 56 cents and in 1929 about 53 cents of money per dollar of total output.

Thus an era of almost a quarter of a century has ended in which the money supply was high in relation to the size of the economy.

Clearly, the present situation necessitates a new appraisal of the monetary situation, Dr. Langum declared. For one thing, the inflationary push in the economy caused by an excessive money supply has ended. Barring a substantial worsening of the international situation, we certainly need not fear further inflation. This means, he said, that Federal Reserve and Treasury policies and commercial bank credit extension may now be properly directed to the financing of further real growth in the American economy.

Industry's Press Relations—A Survey

ACCORDING TO the findings of a survey conducted by the Opinion Research Corporation among newspaper editors in 12 large cities, there's room for improvement in industry's press relations. The No. 1 problem, the editors reported, is the tendency in management groups to try to keep news to themselves.

Editors of 43 major dailies reported that their major problems in dealing with local firms were: (1) withholding of news, 60 per cent; (2) "Companies don't know what news is," 26 per cent; (3) "Companies don't know our paper's needs," 19 per cent.

Asked what companies can do to improve their press relations, the editors offered these suggestions: (1) supply information (79 per cent); (2) be frank, honest, factual (72 per cent); (3) be on friendly terms with the press (53 per cent); (4) take the initiative (47 per cent); (5) don't try to pressure newsmen through the business office (30 per cent); and (6) be prompt (28 per cent).

—*Public Relations Letter* (Indiana Manufacturers Association) 10/13/54

Getting More Mileage from the Annual Report

LAST YEAR, for the first time, Dravo Corporation initiated a new distribution of its annual report to sales personnel throughout the United States and Canada. Salesmen were encouraged to distribute the 1952 Dravo Report to key customers and prospects. The response to this innovation was excellent, evoking praise from customers and salesmen alike.

Having adopted this new "sales tool," we started to speculate on the annual report distribution policies of other companies. Had any of them, we wondered, formulated new and beneficial public relations uses for their reports?

Our questions resulted in a survey of 150 corporations of varying size and type to determine current distribution practices. Proof of management's interest in annual reporting was reflected in the prompt completion and return of 73 per cent of the survey forms.

The combined total printing of annual reports by these firms ran to 7,845,000 copies last year. Of this total, approximately 2,700,000 copies were distributed to recipients other than stockholders. If these figures can be considered representative, it would appear that this "extra" distribution has become a multi-million-dollar proposition.

Probing present distribution policies among respondent corporations, we listed 17 different categories of possible recipients on the survey form. Those queried were invited to add to this list additional groups to whom reports were sent. Tabulation of the returned forms revealed the extent and diversity of present distribution practices:

Regular report sent to employees, 46 per cent; special employee annual reports, 30 per cent; digest of regular annual report in employee publications, 15 per cent.

Sent to newspapers and trade journals, 82 per cent; investment banking firms, 83 per cent; security or financial analysis, 77 per cent; financial news services, 77 per cent; brokerage houses, 69 per cent; banks and trust companies, 65 per cent; mutual funds, 42 per cent.

Sent upon written request from the public at large, 74 per cent; special mailing lists prepared by company officials, 73 per cent; colleges and universities, 63 per cent; "exchanges" with other companies, 54 per cent; public libraries, 48 per cent; groups and individuals in neighborhood communities of company offices, plants and subsidiaries, 41 per cent; general, factory, or sales offices, 40 per cent; company sales personnel (as "selling tool"), 33 per cent; government agencies and officials, 33 per cent.

Distribution to customers ranked highest among the additional "write in" categories supplied by respondents. Some corporations send reports to their total customer lists; others send only to specially prepared lists of selected customers. Many firms also send their annual reports to their distributors and dealers.

One firm listed the rather unusual

practice of mailing annual reports to over 2,000 former stockholders. Another company sends its annual report to 30,000 business leaders throughout the nation. Still another distributes its report to visitors who tour plant facilities. And a few send reports to principal suppliers.

Nearly 30 per cent of the respondents' firms advertise their annual reports—many of them offering free copies upon written request. Local newspapers are the chief media for those running annual report ads. Trade publications, general business magazines, metropolitan newspapers and financial publications, in that order, are the next most popular choices. Slightly over 74 per cent of the firms participating in the survey indicated that over-all distribution had been expanded within the past five years.

On balance, our inquiry shows that the annual report figures prominently in almost every conceivable public relations role. It is at work among stockholders and potential stockholders, the financial community and the public at large. In plant towns, the report is engaged in creating closer community relations. In the plants, workers are being better informed on management problems and progress through its pages. Among dealers, distributors, customers, and suppliers the report is tightening bonds of identity. The report is the subject of classroom discussion, and is telling a story to men in all levels of government. Sales representatives are equipped with a new "selling tool" in the report. Finally, in many companies—especially those producing consumer items—the report is a medium for advertising products.

And there is no indication that the full potentialities of this versatile public relations tool have been realized.

—William H. Collins. *Public Relations Journal*, October, 1954, p. 10:4.

The Tax Law: Prosperity by Mandate?

If you've been skeptical of predictions that the nation's economy will attain an annual output of $500 billion in ten years' time, your skepticism may be tempered somewhat if you consider the tremendous implications of the depreciation provisions in the new revenue law. The unparalleled incentives for replacement of equipment and expansion of plant contained in the law are gradually becoming better understood. And tax incentives are only part of the story.

Before the passage of the law, a fiscal arthritis was threatening many an American corporation. Until this year many business men were unable to charge true depreciation costs within their allowable write-offs and in consequence were treating as income money that properly belonged to capital formation. Two causes lay behind this condition—a rapid rise in prices that put replacement costs far ahead of original costs, and unrealistic write-off methods that did not re-

flect the true rate of deterioration of existing capital goods. Responsible authorities estimate that the resulting undercharge of depreciation has been costing $7 billion annually, of which $2.5 billion was attributable to unrealistic write-off methods. It is said that the high volume of assets acquired in earlier years at lower prices means that a total deficiency of $70 billion in accrued depreciation will occur before lower-priced assets have all been replaced at current prices.

Naturally the law does not change the effect of higher prices, but the greater speed with which capital goods can now be depreciated will materially help to offset this disadvantage.

Businesses of all kinds that buy new equipment or capital goods this year will be starting to take advantage of new depreciation privileges that allow for the bulk of the write-off to take place within the early years of service life. It seems safe to predict that this will become a trend, and that the trend will accelerate over the years. This is almost bound to be the case. For one thing, equalization of costs will make more funds available for capital and other equipment. For another, assuming that corporate tax rates remain at or near their present levels, declining depreciation charges in later write-off years will bring drastically higher tax payments unless old equipment is replaced and favorable depreciation rates again put into force. And if this isn't enough to produce a revolution in replacement policies, automation and improved techniques achieved through research are certain to add industrial incentives to the tax incentive.

It seems clear that we are entering an era of rapidly improved and more efficient production and lower costs. When economists predict these phenomenal rises in the national standard of living, incentives such as those outlined here must play a large part in their conclusions.

—*The Biddle Survey* (Biddle Purchasing Co., New York) November 2, 1954, p. 2:1.

How to Stay Prosperous

ONE OF THE MOST encouraging omens for continuously rising prosperity is that U. S. business today does not seem to behave the way many economics books said business would behave. Lord Keynes, for example, based most of his theory on the "fact" that business invariably slashes capital expenditures deeply when sales fall off, and thus accelerates the decline in production and employment.

Today business finds itself devoting a large part of its current investment to modernization, putting itself in shape for what will almost surely be a period of knockdown competition. But business, and particularly big business, is also taking a much longer view than it used to, and planning its expansion for years and even decades ahead. This is common sense. If there is anything sure in this world, it is that the productivity as well as the population of the U. S. will continue to rise, and that the American market will therefore continue to expand even faster than the American population. Any company that wants merely to maintain its place in that market finds itself compelled to become expansion-minded.

—*Fortune* 6/54

Meeting the Challenge of the Guaranteed Annual Wage

INDUSTRY, GOVERNMENT, and labor are all beginning to regard the guaranteed annual wage with great seriousness. Besides being an issue that is basic, easy to understand, and highly volatile, it is a demand which is certain to be served on United States industry when the vagaries of the business cycle indicate that unemployment is imminent once more.

An analysis of union statements, recently negotiated contracts, and prevailing literature, as well as interviews with union officials and research directors, suggests that a final agreement on the GAW, insofar as it can be foreseen, might be built around the following factors:

Guaranteed employment. Union thinking runs to guaranteeing a certain amount of employment at prevailing rates, rather than a given number of dollars to be paid over a specified period. This type of guarantee provides greater flexibility by permitting downward wage movements, and is thus likely to be more generally acceptable. The amount of employment guaranteed will probably not be full-time.

Employee coverage. The most common eligibility requirement for coverage will be some amount of seniority. Part-time and casual workers, employees on strike, and employees discharged for cause will generally be excluded from the plans.

Benefit payments. In setting the rate at which benefits are to be paid, overtime compensation, shift premiums, and bonuses will probably be eliminated, and straight-time earnings will be used as a base for calculation. Payments to an individual are likely to be limited to a maximum number of months for any single period of unemployment. Most guarantees will include vacations and holidays.

Integration with unemployment compensation. Integrating the GAW with unemployment compensation is certain to be a key union demand. Under such an arrangement, the worker would receive state unemployment benefits, supplemented by employer-contributed compensation, to bring the total guaranteed pay up to a level predetermined by negotiation.

Financial liability. No major union demand, reduced to its real intent, will seek company liability of full pay to all regular workers. The most common limitation will probably hold the company's liability to a certain number of cents for each man-hour worked during the course of any one year. The limited liability provision may also be stated in terms of percentage of the payroll, a percentage of net sales, or a flat contracted sum to go into a fund.

Time period. Most GAW contracts, as now viewed by both the companies and the unions, will be annual in duration and renewable at contract negotiation time.

One general problem indirectly affecting the GAW is the widespread growth of liberal fringe benefits. Bargaining gains are more easily achieved in the fringe issues than in the direct wage area largely because their costs are difficult to calculate, obscure in their impact, or postponable to the distant future. The GAW is another, yet highly significant, fringe item, and the cost burden of adding it must be accurately understood.

Another general problem arises from the fact that GAW involves contract commitments and consequent liability for conditions over which the employer has no control. How to handle liability for such circumstances as cyclical unemployment, partial or large-scale war, shortages of raw materials, or changes in the tariff is a dilemma of significant proportions.

Economists point to another GAW problem, the effects of which are difficult to forecast or calculate. If a GAW plan exists within a company, each additional person employed creates a type of fixed liability against the business. The employer may therefore be reluctant to add personnel to meet demand increases, seasonal upswings, or even an expansion of business. Thus, if the guaranteed annual wage becomes widespread, the cumulative effect of the employer's reluctance to assume GAW liability may have severe economic consequences.

More specific problems also arise, several of which should be considered:

Integration. As previously indicated, one key union request will be the integration of the GAW with unemployment compensation. However, most state laws provide that, as long as a worker gets even part of his pay from his employer, he becomes ineligible for state unemployment compensation. It is almost certain that changes in the various state laws will be required before integration can be accomplished.

Incentive problem. At what level can benefits be fixed so that those receiving a guaranteed wage while unemployed will look for employment instead of just drawing their checks and drifting? Will 60 per cent, 70 per cent, 80 per cent of their usual earnings destroy workers' ambition? Guaranteed wages at too high a level will encourage "voluntary unemployment."

Cost considerations. Companies facing an expanding or developing demand situation will find it easier to install an annual wage plan. Companies having a financial structure calling for high fixed charges are more vulnerable than those possessing only equity obligations. The cost implications of the GAW are, therefore, of such possible seriousness that they should be given very thorough consideration before negotiation.

Tax problem. Both evidence and logic point to the necessity for funding the GAW obligation. Under such a plan, the funds would be accumulated during periods of good earnings. However, there is some evidence that contributions to a GAW fund may not be allowed as a business expense until such time as the accumulated monies are actually paid the workers as benefits.

Permanent commitment. Like any other negotiated and contracted issue, the guaranteed annual wage is likely to become a permanent employer liability. Though there is a contractual obligation for only one year, any endeavor on the part of the employer to discontinue the GAW would meet with serious union resistance and would create a severe morale problem.

The challenge of the GAW can be intelligently and constructively met by a positive program of action. First, management should take action to stabilize its own production in order to minimize short-run unemployment. To this end, it might (1) introduce new products of complementary seasonality, in order to regulate production at a constant level; (2) carry relatively large inventories during off-seasons, or off-peak sales, in order to increase stability of work; (3) vary

the length of working hours and transfer employees among departments in response to fluctuations in business activity, in order to reduce layoffs; (4) reduce unit labor costs by technological improvements permitting greater stability of employment in periods of reduced business activity; (5) improve sales techniques, policies, and programs, in order to increase sales stability; (6) improve production control, product development, and industrial relations procedures, in order to stabilize employment further; (7) control expansion of the working force by substituting subcontracting, thus achieving greater employment stability for a smaller work force.

A second positive course of action evolves from a decision on the feasibility of accepting a GAW plan. If management decides against installing GAW, then it must strengthen its arguments by thorough preparation and formulation of counter-proposals. If, on the other hand, management considers the GAW to be feasible under properly limited circumstances, then it should formulate a specific GAW plan that seems to suit its purposes best. In negotiation, the company will then be prepared to take the initiative—an essential ingredient of successful collective bargaining—as opposed to the defensive tactics usually followed in expectation of union demands.

—JAMES L. ALLEN and C. WILSON RANDLE. *Harvard Business Review*, Vol. 32, No. 3, p. 37:12.

Decentralizing Industrial Relations

IS DECENTRALIZATION of the industrial relations function feasible and desirable? Top managements interviewed in a recent Princeton study, "Centralization and Decentralization in Industrial Relations" by Helen Baker and Robert R. France, were overwhelmingly in favor of decentralization of management functions generally.

But the contrast between their announced views and the actual practice in their companies was great in many cases. As one industrial relations director phrased it, until recently the company's announced policy of decentralization had been but a "pious hope" so far as industrial relations was concerned. Some top managements confused geographical decentralization with decentralization of decision-making—pushing responsibility for decisions further down the line—which is the mark of true decentralization.

More realistically, industrial relations managers favored a judicious mixture of centralization and decentralization. Specifically, there are three areas in which balance between two conflicting needs is necessary: (1) maintenance of the integrity of the "corporate personality" vs. the need for consideration of the uniqueness of the local plant's industrial relations problems; (2) the outstanding importance of the delegation of authority as a means of developing initiative and judgment among lower levels of management vs. the pressure of circumstances that strictly limits deviation from established standards and procedures; (3) the desire to keep collective bargaining to the plant level vs. the risks involved if plant managers are permitted to negotiate clauses that might create difficulties for other company plants.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 10/16/54

Long-Run Payoff on Training

HERETOFORE it's been thought that after the initial shot in the arm provided by a training program, workers soon revert to their old habits. Not so, according to a report by William McGehee and Dwight H. Livingstone of Fieldcrest Mills, Inc., Spray, N. C., published in a recent issue of *Personnel Psychology.*

For over two years they studied the effects of training in waste reduction on four "tailing" operators in a cotton mill. After 10 preliminary weeks of observation to be certain of their normal conditions, the workers were given a total of 29 weeks of training—three of actual instruction, 12 of close on-the-job assistance, and 14 weeks of follow-up. At the end of the first 15 weeks, waste had been cut 62 per cent. It stayed at this level until the end of the full 29 weeks.

But the significant fact is that with no further training (only normal supervision) the results persisted for 80 more weeks. Then, to put the icing on the cake, training was re-introduced for another 26 weeks. Result: a further drop in scrap loss of 45 per cent.

What did Fieldcrest do to attain these results? The basic steps in its training program were:

(1) Present information to operators concerning need for waste reduction; (2) give operators instruction in how to do a better job; (3) keep them informed by graphic aids as to how they are doing.

In addition, McGehee and Livingstone believe frank, full, and sincere explanations of reasons for changes, together with employee participation (at their level of competence) in program activities are the factors that make for long-range success.

—*Factory Management and Maintenance* 9/54

How Do People Feel About Their Jobs?

EVER WONDER what most people think about their jobs? Science Research Associates of Chicago asked half a million workers—from the president on down—in 850 companies how they felt about pay, company efficiency, personal goals, etc. Here are some of the results.

Pay: Only one-third felt they were paid enough to live comfortably.

Hours: Ninety per cent said their working hours were okay.

Pensions, insurance, etc. Seventy-three per cent found "fringe benefits" satisfactory.

Company pride: Eighty-six per cent were proud of their firms.

Company efficiency: Sixty per cent thought their companies could operate more efficiently.

Self-importance: Eighty-one per cent felt their jobs were important.

Personal goals: Only 36 per cent knew where they stood and where they were headed.

Job happiness: Over half said they would take different jobs if they could do it all over again.

—*Changing Times* (The Kiplinger Magazine) 10/54

WHAT'S MY NAME? His own name printed in gold on the cover of the company handbook impresses the new employee at Delta Air Lines (Atlanta, Ga.,) and makes him feel a part of the setup. The cost of each imprint shouldn't run over 25 cents.

—*Mill & Factory* 12/52

On Salesmen and Psychologists

In recent years, the relation of applied sales psychology to profits has become widely recognized. By now, everyone who pretends to know something about selling also knows something—though usually by no means enough—about the importance of some of the basic psychological selling approaches.

Advertisements of the "They laughed when I sat down to . . ." school were an early use of this approach. Humorous though they seemed, they were rooted in an appeal that many still rate as tops: the desire for self-improvement.

Another, more intense modification of the appeal to self-betterment, social or otherwise, is the challenge to the competitive instinct. Look at the way "21" and the Stork Club and other highly successful restaurants have built on this response; they create the impression that it is only with difficulty that you will be admitted and allowed to spend your money. Subtle, yes, but also elementary. The idea seems to stimulate the competitive instinct of people who are battling up the social and economic ladder.

In the same way, the time, effort, and money that successful people will spend to see a Broadway hit continues to amaze everyone, including the producers.

Back in the 1930's, one of Macy's competitors, who wasn't doing so well, ran an advertisement comparing the peace and quiet of its store with Macy's. Macy replied immediately, with an advertisement that has become a minor classic: "Would you rather stand at a hit or have two seats on the aisle at a flop?" That ended that.

All these cases, of course, are simply instances of how merchandisers have called upon psychology to help them sell. This has led to the evolution of a whole new breed—the specialists, the high priests of applied sales psychology. There are also plenty of other volunteers. Scratch an advertising man, or even a market researcher, and nine times out of ten you will turn up an amateur sales psychologist. Finally, there are the academicians who have taken to the field in recent years.

Yet for the student practitioner, seeking more light on his craft, all these groups, even the high priests, have their limitations.

The high priests are an austere lot, and their gifts are available to the few. They are good sellers, but they are not good teachers. For the workaday salesman, they remain inaccessible, anonymous, absorbed by management.

The few attempts to enlist the aid of the academic world have been frankly failures, perhaps because there is such a tremendous hiatus between theory and practice. Though the gap between the academy and the market place is closing, the academicians obviously do not yet have the answers, for the very good reason that management itself often lacks them. Many a manufacturer is content to give his sales trainee a stiff dose of product information and call him trained. And

the schools build their courses along the lines management lays down.

The men and women who do have the answers, who have most successfully made psychology work for their businesses, play "by ear" or instinct. They may or may not have a lot of technical or scientific lore, but they understand that the art of selling is strictly a person-to-person affair. These instinctive salesmen could be first-rate teachers, but they are usually so busy filling orders and ringing the cash registers that they have no time to explain their methods.

If the high priests are inaccessible, the academicians too limited, and the born salesman too busy, what about the others?

The advertising men are usually most effective when they confine their appeals to the fundamental human instincts of self-preservation and the propagation of the species. Mass salesmanship and mass psychology are their strong points. Since they are necessarily addressing a wide audience, the refinements of the high priests' art —or the art of the instinctive practitioner—is too personal for them to encompass through their media.

As for the industrial designers and market researchers, these experts had better stick to their lasts. They are technicians and engineers. A knowledge of psychology will stand them in good stead, but it won't make them salesmen.

Actually, many of the most vigorous and successful practitioners of applied sales psychology are in the fields of fashion and beauty merchandising. We can credit these fields, for example, with first demonstrating the profit possibilities in good taste and good design. The leading retailers of fashion and beauty merchandise have set whole new standards of "presentation." They utilize the talents of stage designers and of lighting experts as a background for a series of promotions that are studied and copied by every alert retailer.

More subtle, and therefore more difficult than this type of merchandising, is the problem of applying some of the newer techniques of sales psychology to the service and professional institutions. Some of them are hamstrung by the traditions of dignity and sales austerity they have inherited. It isn't easy, either, to dramatize the quality of a service.

Yet, in recent years, financial institutions, selling organizations, and professional groups have discovered quiet ways of selling themselves to their customers. The decoration of their offices, the uniforms of their elevator operators, the appearance of every piece of printed matter they use, can contribute to "creating the right impressions." Some of the most successful examples in this area come from old-line firms who have learned the value of the old truism that repetition makes reputation.

Manufacturing organizations have used these same techniques effectively as stage settings for their products. They have thus attempted to illustrate some of the values expressed in a now famous advertisement, "The priceless ingredient of any product is the reputation and integrity of the maker."

It is clear enough that, with or without instruction, psychology is in today's selling air. Though good texts and good teachers of the science of applied sales psychology are few right

now, some day that will change. The scholars have a lot of valuable lore in their heads. The successful practitioners have a lot in their fingertips. Some day, the everyday, garden variety of salesman will have access to some of the superlative knowledge of the experts and the inspired hunches of the instinctive sales artist. Till then, the executive must keep his eye on the trend and take his cues where he finds them.

—EDWARD MCSWEENEY. *Dun's Review and Modern Industry*, September, 1954, p. 45:7.

A Public Relations Analysis

EXECUTIVES faced with the problem of evaluating a proposed public relations project may find the following checklist, prepared by the Public Relations Department of E. I. du Pont de Nemours & Company, Inc. (Wilmington, Del.) useful as a guide to decision-making:

Section A

1. What is the objective this project is designed to gain or approach? Is the objective sound and desirable?
2. If the project succeeds, will it reach or approach the objective? Are there collateral advantages?
3. Is the project feasible?
    a. Is it reasonable to expect it to succeed?
    b. Can it be done with existing personnel?
    c. Does it involve cooperation outside the department?
4. Are there disadvantages to the project?
    a. Is it counter to sound public relations policy?
    b. Is it counter to company policy?
    c. Is the expense too high in relation to possible gain?
    d. Can it embarrass top management? Sales? Production? Research?
5. How much will it cost? Where is the money coming from?
6. In what ways can the project fail? What are the foreseeable difficulties?
7. What are the penalties of failure?
    a. Will it embarrass the company if it fails?
    b. Will it embarrass the department if it fails?

The answers to these questions should add up to the answer to the first question in

Section B

1. Why do it at all? Is it worth attempting?
2. Why do it now? Is there any reason for moving fast?
3. Why do it this way? Are there other methods of approach that promise more?

If it passes all these tests, there are two further questions:

Section C

1. Who, if anybody, outside the department must approve the project?
2. Who, if anybody, outside the department must be informed?

On-The-Job-Training: One Company's Solution To the Clerical Shortage

HELEN G. CURRAN

Personnel Supervisor

Carrier Corporation, Syracuse, New York

FOR THE last 10 years, Carrier Corporation, like many other firms, has had difficulty obtaining enough trained typists, stenographers, and clerical workers to fill all openings in its offices. We were helping to meet our need for engineers and shop workers by training; it seemed that training might solve the shortage of clerical workers, too.

After considerable experiment, we arrived at a training program which has been successful for us since 1952. In fact, a recent survey shows that the turnover percentage among girls who have completed the program is less than one-half that of our other clerical employees.

This program covers three areas:

1. *Training class for recent high school graduates.* To get the right type of trainees for this program, we enlisted the help of school counselors and administrators. Students from our five classes represent 22 high schools. Because of the successful record of our trainees, the schools have been recommending our program to prospective employees. In turn we have been giving the schools follow-up letters on the progress of their graduates. Since June, 1952, 65 young women have completed the program and are working successfully on job assignments.

The course of training lasts about 10 weeks and includes stenography, typing, secretarial practice, business machines, and some bookkeeping and filing. In addition to certain basic fundamentals, each trainee concentrates on her particular field of interest—machine transcription, training for accounting, and so on.

Following office machine demonstrations given by machine company representatives, the girls receive individual training on adding machines and calculators. Since the auditing department needs a machine count for inventory at this season, the girls can put their training into practice.

The Carrier Stenographic Manual used in training all stenographers is the basis for training in letter set-up and procedure. A section of this manual is devoted to air conditioning and engineering terms.

Instruction is given in the actual use of stationery requisitions, personnel and payroll forms, expense reports, and other company forms.

A tour of Carrier's offices and plants is an integral part of the program. In addition to this type of orientation, a number of Carrier people address the trainees on the work of their respective departments. The Personnel Division is represented, along with Purchasing, Financial, Sales, General Office, and Engineering Library. A vice president and founder of the company describes the company's background and

early history. This knowledge of the development of the company, its organization, and the relationship between departments is invaluable in giving the girls a sense of "belonging" and in fostering a desire to serve the best interests of the company.

On the job, the trainees far surpass the average employee in productivity, work interest, and pride in the Carrier organization.

This year we have used former trainees and other successful secretaries, including the secretary to the president, to speak to the girls on the responsibilities of a good secretary and the requirements for success.

Grooming, office manners, telephone technique, and office procedure in general, are all emphasized in our classes.

Trainees are hired at the minimum starting rate for clerical workers—the same rate used for hiring messengers, mail clerks, and file clerks—classified in our company as Group I jobs. When the trainees are placed, they are assigned to a Group III job classification for the first year, after which they are given a specific job classification. Pay increases begin three months after the training program starts and are continued at three-month intervals until the proper rate for the fixed job classification is reached. Thus, although the girls start at the same entry rate as other high school graduates, within a year they have succeeded in reaching a considerably higher standard of pay.

The success of the trainees can be gauged by the reports on their individual merit reviews. A survey of all trainees' merit reviews shows that every one improved on the job; one was outstanding; the others were all very satisfactory or satisfactory; and no one was poor. Supervision indicates that the weak points are lack of experience and lack of self-confidence due to inexperience. The strong points are cooperativeness, desire to learn, dependability, and good work habits.

To evaluate the success of our teaching methods, we keep actual scores in typing, shorthand, and in other subjects. Pretests in arithmetic and English are taken at the beginning of each course; every two and one-half weeks, averages are computed, and final tests are given at the completion of each course.

This statistical evidence of each trainee's progress has made it possible for us to learn how much each girl actually improves and, consequently, how effective the program has been.

To gain suggestions from the trainees themselves, we had them complete a check list of questions. We received many good ideas and adopted them.

2. *Voluntary brush-up on skills, after working hours.* For one hour on her own time at the close of the work day, a girl may have instruction in typing and shorthand. We keep these classes small, require home work, and demand almost perfect attendance. By keeping only those who work hard and show improvement, we can move them on rapidly to make room for others.

An experiment in teaching shorthand from the beginning to three girls showed that shorthand can be learned for use on regular stenographic work in six weeks, or twelve hours, of class instruction. Homework, of course, is necessary.

3. *Individual training of new employees and others.* In interviewing applicants, we sometimes find a good one who is weak in shorthand or typing. Such a girl may spend from three days to two weeks with the training super-

visor. She can brush up on skills, learn company procedure, and review other areas that might be useful on her job.

An interesting by-product of our training program has been the setting of standards in shorthand, typing, and English grammar for applicants.

By checking with the supervisor on job output and by observing the percentage of improvement in our evening classes, we came to the conclusion that a score of 40 wpm (words per minute) in typing was acceptable for routine jobs, 50 wpm for intermediate jobs, 60 to 70 wpm for the more exacting jobs.

In shorthand the workable skills seemed to be 60 wpm for beginning stenographic (that is, for those using stenography only occasionally), 80 wpm for beginners using stenography about half of the time, and 100 to 120 wpm for those using stenography full time.

We found that after a short period of individual training, applicants whose scores in a test situation are 30 to 35 wpm in typing, 60 to 80 wpm in shorthand, and around 65 per cent in the English test can reach these standards.

In setting up these standards, we have also developed a basis for acquiring current scores on these skills for all our typists and stenographers. This is helping us reach our ultimate goal of raising the performance and output level for all our clerical workers, a real need in today's competitive economy.

Clerical Employment—Still on the Upswing

DESPITE THE phenomenal increase in the production of automatic office equipment—everything from automatic files to automatic thinkers—the human office worker is still in great demand, the Department of Labor's Bureau of Labor Statistics reports.

In April, 1954, nearly 8 million men and women were in clerical work, according to the Bureau of the Census. This represents an increase of 64 per cent over 1940. One out of every eight persons in the United States is employed in a clerical job of some sort, and employment expansion is expected to continue, although the rate of growth may be slowed down somewhat by new office equipment.

Earnings of clerical workers vary widely according to locality. For 20 labor market areas studied by the Bureau of Labor Statistics in late 1952 and early 1953, the average weekly earnings of women in selected clerical occupations varied as follows: secretaries, $55 to $68.50; general stenographers, $45 to $60.50; class A typists, $44.50 to $57; class A bookkeeping-machine operators, $51.50 to $67.50; switchboard operators, $37.50 to $57; comptometer operators, $44.50 to $61.50; and office girls, $35.50 to $46.50. Earnings of men in clerical occupations are generally higher than those of women in comparable jobs.

Stenographers, typists, and secretaries make up the largest group of clerical workers classified separately by the Census, totaling 1½ million in 1950. Bookkeepers and cashiers, the second largest group, totaled about 1 million. Even larger than both of these groups combined, however, is the miscellaneous group, which includes many types of specialized clerical workers such as order, payroll, and file clerks, as well as general office workers. The number of office machine operators grew markedly between 1940 and 1950, increasing by 138 per cent to 142,000 in 1950.

Tips on Picking a Management Consultant

GENERALLY, the question of employing a management consulting firm arises when (1) known problems exist for which independence of viewpoint, specialized knowledge, comparative judgment based on experience in handling similar problems, and/or analytical research techniques are needed but not available in sufficient measure within the company; or (2) management suspects that problems exist, or wishes to assure itself that they do not; and feels that the true state of affairs can be ascertained only through a complete and objective examination by competent outside personnel.

In either case, it is extremely important for management to give close attention to the task of selecting the consulting firm that it feels will meet its particular needs.

Consideration should not be limited to a presentation made by a principal or representative of the consulting firm, particularly if the approach is of the high-pressure variety, promises a world of results without a preliminary exploration of the problems involved, or bids for the assignment in terms of fees or cost. Reputable firms do not engage in blatant promotion or haggling. Besides, there is no such thing as a "bargain" in management consulting, in the sense of getting something for nothing.

Though there is as yet no form of accredited registration for management consulting firms, the membership list of the Association of Consulting Management Engineers does serve as a positive (though not a complete) guide to firms of known integrity and reputable performance.

Reference from other companies that have used or are now using the services of a consulting firm can be a useful guide in making the choice, but it is always a sensible precaution to check independently with such references as are provided by the consulting firm.

It is nearly universal among reputable firms to supply a good deal of information about the scope and nature of assignments on which they have worked, and this is particularly useful in judging their suitability for a contemplated project. Any reputable firm is glad to be investigated just as thoroughly as possible.

An investigation should be unbiased and impartial, and it should start near home. Within most business organizations, one or more directors or officers may be expected to have some acquaintance with management consultants, or with those who have used management consultants; these may be used as leads. Strong recommendations should bear weight, but only if based on first-hand knowledge of the consultant's performance.

Those who render other kinds of professional service may prove excellent sources of information. Legal and public relations counsel, public accountants, advertising agencies, all will be wary of making recommendations on a basis of friendship rather than business acquaintance. Such sources are likely to be objective, because a recommendation carries responsibility,

and their own repute with their client company is at stake.

Bank officials often may supply valuable leads to consultants who have successfully worked for companies and organizations known to the bank. In particular, the bank used by a consulting firm should be among its best references.

Standard investigating agencies, such as the Better Business Bureau, Dun & Bradstreet, and credit associations, always should be checked. Business and trade associations, Chambers of Commerce, state commerce departments, and the editors of business or trade magazines in the company's field of activity should also be able to supply information about the standing of a given consulting firm.

Obviously, it will not always be possible or necessary to follow up all investigating leads. But it certainly is wise to go far enough to get definite answers to the following questions:

1. How long has the firm been in business?
2. What is the background of the principals?
3. What is the firm's financial status?
4. What kind of companies and industries has it served?
5. What do clients say about its work?
6. How much of its business is "repeat" business?
7. How well do its personnel get along with people?
8. How much time will principals spend on this particular assignment?
9. What man or men will supervise and carry responsibility for actual performance?
10. Has the firm had experience applicable to the problem at hand?
11. Does the firm ask for a clear definition of its assignment?
12. Does it make what seems a reasonable estimate of cost and time requirements?

—*How the Management Consulting Profession Serves American Business* (Association of Consulting Management Engineers, Inc., 347 Madison Avenue, New York 17, N. Y.)

Bringing the Goods to the Buyer's Door

INDUSTRIAL SALESMEN'S sample cases are getting bigger and bigger. So big, in fact, they have to be carried around on six to 10 truck-size tires.

Faced with problems of showing increasingly complex products to prospective buyers, makers are using mobile demonstration units to bring their equipment directly to offices. More and more of these specially equipped buses, trucks and trailers will be hitting the road in coming months. The term "sales drive" is acquiring a literal meaning.

With new emphasis being put on cost-saving tools and techniques, suppliers want to make it easier for buyers and users to keep up with latest developments. Now customers can have the machines brought right to their front door and try out some of their own production problems on them.

The manufacturers know that "a picture is worth a thousand words"—and the real thing is worth even more. A good indication of what the buyer wants was revealed in a recent opinion poll in which four out of five purchasing men said they would welcome wider use of visual methods in industrial selling. If visual methods are so popular, suppliers reason, you can't do better than bring along the machine itself. So the mountain is coming to Mahomet.

—*Purchasing* Vol. XXXVI No. 2

Teamwork: Key to Accurate Sales Forecasting

BY MAKING AVAILABLE and analyzing as much data as possible regarding past volume, present conditions, and future prospects, the teamwork approach can go a long way toward making your sales forecast an accurate and reliable one. This conclusion stems from a recent study of many business firms which have gradually shifted from one-man estimates to the pooled judgment of their executives.

The experience of these companies emphasizes three important advantages: (1) The *varied backgrounds* represented in a combined group will often bring to light special factors which may not otherwise come to the attention of the busy top man in a firm. (2) A combined group usually provides a *balance between different viewpoints.* (3) Participation in the company's sales forecast will often spur *a sense of responsibility* for achieving the goals which are established.

Here's how to get the information which should be put at the disposal of every member of your own executive group.

First, compile a table of company sales for the past several years, broken down by quarterly totals (or monthly, if possible); by individual product or related group of products; by sales territory; and by type of sales account, if your product is sold through different kinds of outlets.

Then list all abnormal or unusual events which may have distorted your sales picture during the period under study. Include such items as shortages of raw materials, one-shot windfall sales, and low volume due to illness of one of your salesmen.

Finally, compare your own sales with industry-wide figures—either by total volume or by individual product. If few data are available, a search of government and trade association sources may give you some standard against which you can measure your company's relative position and activity.

Before your board of estimate sits down to arrive at a general forecast, make sure to take the following steps:

Adjust past sales figures by eliminating the effects of any abnormal or unusual factors. Each executive should estimate how much each of these factors affected actual sales—up or down—and make adjustments for whatever factors may have been overlooked in the original listing of unusual events.

Project the normal sales pattern into the future. If your company has been gaining a certain percentage each year you might be justified in estimating that '54 will bring a similar relative increase. Or if you've been losing ground, you may have to assume you'll continue to do so in the coming year.

Estimate the probable effect of future developments on the normal sales trend. Your company's plans for the new year or new selling season will directly affect estimates of future sales. Thus each executive on your board of estimate should evaluate the expected impact of a stepped-up advertising campaign, price changes or modifications in the product itself, improved efficiency of the sales organization, and other new factors. By the same token, the effects of more aggressive competition, changes in public taste, and other depressing factors will have to be taken into account.

Many companies add two further steps to the process of gathering executive opinion for a group forecast. First, the financial officer is assigned the job of translating the final forecast into an estimated profit-and-loss statement and cash projection. Next, these figures are presented to another meeting of the forecasting group. At this meeting the company's top officer uses the dollars-and-cents estimate to stimulate cost-cutting, inaugurate a change in inventory levels, or undertake whatever other modifications may be necessary to improve the company's financial prospects in line with sales expectations.

Once you've used the group approach for a year or two, you'll have a pretty fair idea of how accurate you can make your forecasts. Many company presidents keep a private box score to measure the reliability of the group forecasts—individually as well as collectively. If one member of your board is consistently over-optimistic or over-pessimistic in his forecasts, don't fail to keep his past performance in mind when evaluating the guesses he makes, and make whatever adjustments you may deem necessary.

—*Research Institute Study No. 2* (Research Institute of America, 292 Madison Avenue, New York 17, N. Y.), p. 3:3.

"Jury" System Tries New Products: A Case Study

To CHECK market potential, engineering and production costs, and suitability of proposed products to present method of distribution, Rockwell Manufacturing Co., a pioneer of industrial diversification, has developed a kind of "jury" system.

The heart of the company's product selection system is a Products Committee made up of representatives of every segment of management—executive, engineering and research, production, sales and distribution, market research, and accounting. Every suggested new or improved product must be unanimously approved by this management "jury" before it is added to the Rockwell line. In this way, management is provided with expert, responsible opinion on every aspect of the proposed product's potential value to the company.

A valuable "plus" factor of this broadly-shared responsibility for product selection is the opportunity it affords junior executives, with more or less specialized functions, to gain first-hand experience with the broader problems of top-level management.

Since its formation in 1947, the committee has held about 50 regularly scheduled meetings and has gradually streamlined and systematized its operations. Its function, in the words of its chairman, is "to maintain a constant vigil over our present products and to go over proposed new products with a fine-tooth comb—from a standpoint

not only of market potential and engineering and production costs, but also of adaptability to our distribution setup, our special knowledge and skills, our physical facilities, our corporate financial structure, and so on."

Sometimes the committee's decisions involve merely the addition of a new model to an established line. Sometimes they involve purchase of the patents or even the entire facilities of some other company.

New product ideas from internal and external sources are channeled to the vice-president in charge of engineering and research. If no extensive research or engineering outlays are required for their development, this official may, on his own initiative, arrange for the necessary development work and submit a "finished" model for the approval of the products committee.

If the initial development of such a model requires an expenditure of more than $5,000, the idea may be first submitted to a research policy and planning group within the committee. This group is made up of the president and executive vice-president, in addition to one or two other executives selected on the basis of their specific knowledge of the field in which a particular product belongs.

If approved for further study and experimentation, the product proposal is authorized as a research and development project and returned to headquarters engineering. From there it is "farmed out" to the engineering staff of the appropriate division or plant.

When all visible kinks have been worked out and a working model has been passed by division engineering, the product may be first brought to the attention of a technical advisory group within the products committee. In line with recommendations of this group, the product is either sent back to engineering for additional work or produced in sufficient quantity for adequate field-testing before being presented to the full Products Committee for final review. The committee, meanwhile, has been kept abreast of the progress of every product development project through reports included in the meeting dossiers.

When a product finally comes before the committee with a more or less "frozen" design, it is given a thorough evaluation from a standpoint of technical superiority, sales potential and suitability for manufacture with established facilities—as well as suitability for distribution through established outlets, competitive strength, patentability (or freedom from possibility of patent infringement), initial tooling costs, and financial feasibility. Based on the committee's verdict, management makes the final decision.

In addition to screening proposed new products and playing an important role in revision and improvement of standard lines, the Products Committee has one other equally important function: elimination of products considered obsolete.

Here committee machinery works in reverse. Proposals for dropping specific products are subjected to the same kind of critical high-level scrutiny and finally decided upon by a management "jury," which has been provided, over a suitable length of time, with all pertinent information.

—C. A. Wiken. *Sales Management*, October 15, 1954, p. 78:3.

Service Schools Pay Off

"NO WONDER IT WON'T WORK. Somebody tried to repair it with this ABC unit—and it just wasn't built to operate in our equipment."

More and more companies are starting service schools to eliminate this type of situation. They're helping to overcome customer dissatisfactions resulting from delays in having to send equipment back to the company for repairs and from having poor and even damaging repairs done by unqualified servicemen.

You can set up a service school to train your employees, your customers, or private concerns who serve your customers. In any case, your objective would be the same—proper servicing of your equipment so as to assure maximum customer satisfaction.

Consider, for example, the authorized field service shop organization set up six years ago by Lincoln Electric Co., Cleveland welding equipment producer. Lincoln signed only established private electrical repair concerns which had to agree to send at least one representative to the company's service school. Today, Lincoln Electric has over 200 authorized field service shops; the average shop has sent two men to the school. Lincoln Electric's basic course lasts two weeks, and the training is provided free. The company also has a five-day refresher course which is designed for management men and for graduates of the basic course.

White Motor Co., Cleveland, has a maintenance-management program designed for truck fleet maintenance supervisors. It underwrites a special foundation at Pennsylvania State University which provides five-day courses at various colleges across the nation for all motor fleet supervisors. It also operates a shop course at its Cleveland factory. Moreover, White has service engineers on the road constantly who assist fleet operators in setting up informal service courses on a local level. The college courses are open to anyone in the truck industry; the shop course is open to customers and White employees.

Whatever the type of service school a company decides to set up, it should consider these basic rules:

1. Keep classes small and informal.

2. If you're planning a new school, work out to exact detail what the school is expected to accomplish. Then develop courses for that specific purpose.

3. Make sure that you have adequate quarters—classroom for lectures and discussions away from shop noise; a school shop fully equipped with modern tools and machines which are not to be used in normal production operations.

4. Maintain a serious "you're here to learn" attitude among students. Careful selection of competent instructors is the key.

5. When setting up classes, try to group students with similar background and experience. This will facilitate instruction and permit a certain amount of flexibility in planning what emphasis to place on various subjects covered.

—*Steel* 7/26/54

LOST SALES: Retail store managers believe eight out of every 10 items they handle to be so badly labeled as to be entirely lacking in impulse buying appeal, according to the findings of a national survey reported by the Better Packaging Advisory Committee.

Putting Radio to Work in the Plant

By permitting instant communication between moving equipment and fixed points, two-way radio can help management coordinate production activities in almost every industry. In large plants, different manufacturing stages often take place in separate buildings. These steps can be closely controlled by radio. Even in smaller organizations, where processing is confined to a single building, two-way radio may smooth kinks out of the production pipeline.

Companies using radio to control processes and equipment have generally reported substantial time and money savings. Equipment has been more efficiently used, production cycles have suffered minimum delays, and supervisors have been in closer touch with all stages of manufacture. Other benefits have been noted as applications of radio have widened. Here are some representative examples:

Materials handling. Consolidated Vultee's Fort Worth plant uses two-way radio to maintain a smooth flow of materials to aircraft production lines. Fifteen radio-equipped vehicles, controlled from one dispatch office near the center of the assembly line, haul materials where and when they're needed.

One of the most popular uses of two-way radio is with fork trucks. Production stations can be fed more efficiently by truck through radio contact. Loading docks and shipping platforms are more readily serviced if vehicles are controlled and dispatched by radio. Even the maintenance of disabled trucks can be expedited when operators are able to radio for help or spare parts.

Other materials-handling applications of radio include extra-plant trucks, freight elevators, and even overhead traveling cranes. Movements of all such equipment are usually swifter and less costly if radio communication is built in.

Plant protection. Beech Aircraft Corp. (Wichita, Kans.) equipped special vehicles with two-way radio to handle plant emergencies. When hail and 100-mph winds ripped through Wichita not long ago, the company's chief security officer was able to maintain direct contact with the plant while inspecting company warehouses in the downtown area. Working with portable radiophones, he had the damaged buildings under tight security within minutes.

General Electric Co. (Schenectady, N. Y.) is installing a two-way radio system exclusively for plant protection. The network will include 35 base stations at guard positions through the 600-acre facility, in addition to 30 mobile stations in police cars, fire trucks, and ambulances.

The U. S. Government Aircraft Plant in Marietta, Ga., operated by Lockheed Aircraft Corp., cut a force of 216 patrolmen and 100 firemen down to 93 and 54 respectively by installing radios in all plant protection and fire-fighting vehicles. The plant security chief feels the plant is now under greater protection than before.

Maintenance. At A. E. Staley Mfg.

Co. (Decatur, Ill.) the maintenance department's eight vehicles cover a 400-acre plant site, operating among more than 100 buildings. Equipped as they are with two-way radio, the vehicles can be spotted where and when they are most needed. Trucks haul materials and spare parts on trailer trains, which can be broken up when loads are deposited at strategic points.

A tornado blew two-way radio into its own at Norton Co., Worcester, Mass. When a destructive storm ripped the firm's new grinding machine plant in 1953, radio was obtained to speed reconstruction work and proved so effective that it has been a necessary tool in this installation ever since. Norton expects direct savings of $10,000 yearly from its use.

Production control. Two-way radio insures production of high-quality metal alloys at the Electro Metallurgical Co. division of Union Carbide & Carbon Corp. This firm uses "handie-talkie" portable radiophones to report temperature readings to the furnace control room. Pyrometer checks are made, findings are radioed, and necessary adjustments can be made immediately.

In the petroleum industry, two-way radio permits observation and control of costly and hazardous work. Pipeline patrols and pump stations are always in contact, and continuous flow of products is maintained to processing centers. Supervisors have better over-all control and can cover more operations in a given time.

—R. H. WILCOX. *Mill and Factory*, November, 1954, p. 106:4.

Job Engineering and Job Reassignment for the Older Worker

IN A SHIRT factory in Troy, New York, older employees working on an operation that required them to match materials were found to be losing their visual acuity. The firm rescheduled their work so that they did not receive any material that would be hard to match in color or design. The same firm, when confronted with workers who had developed arthritis or heart disease, redesigned machine controls or relocated bins to tailor the job to the employees' physical capacities.

This is but one of the cases cited by the New York State Joint Legislative Committee on Problems of the Aging, known as the Desmond Committee, which recently surveyed 250 companies employing 500 or more workers to determine how industry is meeting the declining capacities of some older workers.

From the ingenuity shown by many firms, the Committee has come to the conclusion that either job reassignment or job engineering can be applied to almost any industry.

One firm, for example, was faced with the need for easing the fatigue of 40 older women engaged in a spinach-trimming operation. They worked eight hours a day, standing up, and had to

carry 30-pound spinach baskets. The job was reengineered by cutting the travel of hands 50 per cent, installing conveyors, improving work scheduling, and supplying stools with backs, special work tables adjusted to standing-sitting positions, and hardwood foot rests to provide insulation against cold steel. The result was that only 16 women working four hours a day were required on this operation, enabling the company to shift the others to other needed work.

Though there appears to be greater use of job engineering in medium-sized plants than in large plants employing 1,000 workers or more, company after company reported that the installation of labor-saving devices as part of management's regular efforts to ease fatigue and boost production, as well as cut costs, has opened up new job opportunities for older job applicants.

Among the techniques employed in job engineering for older workers, the study found: rescheduling the pace of production to eliminate fatiguing "quick sprints"; reshuffling the work flow so that the older worker receives larger, easier-to-handle materials; reducing production rating on incentive positions filled by oldsters; providing greater leverage for tools and controls; relocating control levers, wheels, etc; providing power tools, such as pneumatic wrenches; rearranging the work area to bring motions into the normal working area; providing power feed of stock to machines; substituting "pull" motion for "push" motion; providing a better grip on tools; and changing the height of the desk, table, bench, chair or work point. A major method of reengineering jobs is to set up a special department consisting of persons who can do only light work.

Many concerns, rather than reengineer the job to the worker, prefer to reassign the worker to a job within his capacity. The reporting firms, mainly large concerns, usually had such a diversity of available positions that they could find some suitable post for an aging worker without much difficulty. Older workers may be shifted to jobs outside the line of the production, jobs requiring custom or quality work, jobs calling for part-time work or a more desirable shift, jobs involving simple or less complex operations, bottom jobs (such as sweeper, janitor, elevator operator), and reserved jobs kept only or mainly for the older workers, such as light jobs and simple inspection jobs.

Some companies maintain lists of special jobs usually filled only by older or physically handicapped employees. One firm cited such jobs as watchman, packing machine operator, storekeeper, and mechanic as the type set aside for the older worker. Other companies make a practice of analyzing and reclassifying certain jobs so that an employee can be reassigned quickly to a job within his capacity.

One manufacturing firm reported that aging workers assembling small parts were losing speed and precision of movement needed in the repetitive operation. The workers were transferred to boxing jobs which, though also calling for fast repetitive movements, do not require extreme precision. The workers were taught to be ambidextrous; this change enabled the aging workers to earn the same as though they were much younger and working on the assembly operation.

Actually, the assumption that reassignment is less costly and more effective than reengineering of jobs has not been proven. Few companies that practice re-

assignment have had experience with reengineering jobs for older workers. The assumption that a firm is adjusting a man to a job by transferring him to a new job overlooks the psychological implications of transfers, the reluctance to leave one's accustomed job and one's circle of on-the-job friends, or to lose status in the shop. Too, in companies where vacancies are filled by bidding or seniority, reassignment of aging workers may not be at all easy.

It would seem to be a fair conclusion that when an aging worker shows signs of declining capacity, management needs to consider both reengineering and reassignment, employing the technique best suited to the particular case.

—ALBERT J. ABRAMS. *Growing With the Years* (New York State Joint Legislative Committee on Problems of the Aging), p. 99:9.

Stabilizing the Workforce: Do Benefits Really Help?

FRINGE BENEFITS are of questionable value in attracting workers, a new study from the Industrial Relations Section of Princeton University indicates. "Applicants never ask about them," most personnel directors told author Richard A. Lester during a two-year investigation of hiring practices among manufacturing companies in the Trenton, N. J. labor market.

While a good many personnel managers were convinced that they have little effect on recruitment, they are considered highly effective in reducing turnover.

Factors promoting strong company attachments—once the applicants are hired—include, in addition to benefits, a policy of promotion from within, hiring only into bottom jobs, and stability of employment. Companies in the area do not generally expect to lose employees with more than a year or two of seniority.

Effect of wages is more problematical. Most firms in the area follow a practice of hiring only for the lowest jobs, filling others by promotion from within. Moreover, a rather widely accepted agreement not to pirate labor exists there, and tends to reduce labor mobility. Under these circumstances little relationship was found between the quality of the workforce and the wage rate—except in the case of a few firms that paid the best rates in the entire community and those at the very bottom of the wage structure. Managements in general seemed not to know whether higher wage scales would attract better applicants, and some firms with relatively high rates paid low starting rates, partly to screen out more restless workers.

—*Industiral Relations News* (230 West 41 Street, New York 36, N. Y.) 10/16/54

TRAINING SCHOOL ON WHEELS: Grand Union Company, a leading food chain, is training and retraining more employees than ever before by means of a "classroom on wheels"—a 33-foot trailer completely fitted out with personnel training equipment.

The trailer carries cash registers, blackboard, motion picture and slide-film projection equipment, as well as all the tools necessary for training checkers, dairy personnel and bookkeepers. It will accommodate classes of from four to 10 persons, and will also be used for recruitment and as a mobile conference room.

—*Advertising Requirements* 10/54

Social Security: Growing but Not Maturing

SHORTLY after the nadir of the Great Depression, our nation embarked on a widespread program of social benefits with the enactment of the Social Security law of 1935. When that Act of 1935 was passed, the concept of government's responsibility was that of ensuring a basic floor of protection against want in old age or because of the premature death of the family breadwinner. On four occasions since 1935, major amendments have been enacted. These amendments have without exception expanded the coverage of the system, liberalized benefit amounts and added new types of benefits. The recently passed 1954 amendments extend the taxes and benefits of the system to about 6.3 million more persons on a compulsory basis. An additional 3.8 million persons will be eligible for coverage by election. Now nine out of 10 civilian employed persons will be under Social Security, compared to approximately six out of 10 when the system was set up.

This extension of coverage is one of the few features of the 1954 amendments that we can applaud. Social Security has become a permanent part of American life. There is no sound reason why all classes of Americans should not contribute taxes in its support. Nor, if it is providing a needed protection, should any class be denied its benefits.

The 1954 amendments incorporated a new schedule of tax rates, raising the prospective ultimate rate to four per cent of payroll for both employer and employee. While the oft-expressed intention of Congress is to maintain OASI on a self-supporting basis, it has in fact recognized that the ultimate rates provided by the 1954 amendments are inadequate, clearly forecasting additional tax hikes in future years.

The original OASI tax base was the first \$3,000 of annual earned income. This was raised to \$3,600 in 1950 and to \$4,200 by the 1954 amendments. Here we see an ominous tendency to veer away from the original floor-of-protection concept. Present average earnings of American workers are less than \$3,600 per annum. Provision of benefits on the higher wage base contributes nothing to those with below-average earnings and invades the right of their more affluent fellows to provide their own additional protection on a voluntary basis.

Of course, the most widely publicized effect of the 1954 amendments was the increase in benefit amounts. Increases in benefit amounts made in 1939, 1950, and 1952 were justified as being required to maintain a stable relationship to consumers' prices. No such reason can be advanced for the latest series of increases, which not only raise substantially the amounts for which future recipients may become eligible but gratuitously hike the benefits paid present recipients.

Benefits are further liberalized by the 1954 amendments through the adoption of the so-called "drop-out" provision which eliminates from the wage history on which benefits are based the five years of lowest earnings or noncoverage. The much-criticized work clause was renovated by the 1954 amendments and will permit in the future an OASI recipient to earn as much as \$1,200 in covered employment in any one year without reduction in OASI benefits.

An amendment of little practical bene-

fit, but of extreme long-range significance, is the disability "freeze." It serves to freeze the OASI status of persons covered by the system who are disabled for more than six months, requiring medical adjudication of disability by state agencies under regulations promulgated by the Secretary of Health, Education and Welfare.

The complicated and confusing nature of the present OASI system obscures true costs, induces both public apathy and avarice, and encourages continuous expansion of benefits. Since the vast majority of workers who have paid Social Security taxes have not yet attained retirement age, and since the then present aged were ineligible to receive benefits when the OASI system was set up, the current cash income of the system has each year exceeded outgo. Because far too few understand the tremendous future liabilities that are accruing, the favorable current income-disbursement relationship helps give rise to the illusion that all is well. Because of low initial costs, it has been possible for our generation to legislate extravagant benefits while passing on to our children and our children's children the burden of paying for them. Actually, on the average, OASI taxes of present recipients and their former employers have paid but four per cent of the cost of the benefit being received by such recipients. The other 96 per cent of the cost has been met out of the tax contributions of people who are still working. When for the payment of as little as $85 in payroll taxes a person can qualify for an OASI benefit for which an insurance company would have to collect on the order of $24,000, it is perfectly obvious that someone is going to have to make up the difference. That someone, of course, is tomorrow's taxpayer.

Until the simple fundamentals of social benefits can be made clear to the mass of the American people, there will be no effective restraint on further political liberalization of benefits, short of the time when mounting taxes do their sobering work of "education through the pocketbook." With this in mind, the U.S. Chamber of Commerce has urged the adoption now of a three-point program to bring some sense and security into the OASI system.

The Chamber believes that the system should be matured now by beginning to pay at least a minimum benefit to all presently nonworking aged. While this would not expose the ultimate cost of OASI, it would be a long step in that direction, serving as an effective brake against additional increases in benefit levels and extension of the system to include new types of benefit.

Second, the entire working population under age 65 should be brought into the system and the payroll tax levied on a pay-as-you-go basis at a rate adequate to meet anticipated benefit payments. This would enable each generation to decide intelligently the level at which it could afford to support the superannuated segment of the population, at that time.

A final Chamber proposal would discontinue federal grants-in-aid to the states for old age assistance. With all of the currently aged eligible for at least a minimum OASI benefit, the assistance burden could and should be returned to local levels of government, where it can best be handled with appropriate regard for local needs and conditions.

—From an address by E. J. FAULKNER (President, Woodmen Accident and Life Company, Lincoln, Nebraska) before the Illinois State Chamber of Commerce.

For the Specialist . . .

Building an Office Incentive Program: A Case Study

OUR OFFICE incentive program at Pitney-Bowes was conceived in the late months of 1948 when it was decided to extend the benefits of incentives we had experienced in our plant to office employees.

In determining which office activities would be put on incentives, the following criteria were established: First, there should be a fairly large, homogeneous office group; second, the work performed should be fairly repetitive and routine; third (and perhaps most important in the light of our subsequent experience), the group should have a supervisor receptive to the idea of incentives. Having just completed a program of establishing standard data for our manufacturing incentives, we decided to use this method in our office program. Briefly, what we did was to plan on taking a large number of time studies, properly broken down, and plot our leveled element time values. The standard time was then established, using the mode method of selection.

It was decided that an extra copy should be made of all typed material, for timekeeping purposes only. Piece counts would be taken from material received in a standard package from a supplier. Hand counting of the first phase would be used where a series of jobs involves the same material for one or more operators. Weight counts would be taken where completed work could be weighed to give the final count. Where feasible, automatic counters were attached to office machines.

Because we had always operated on an honor system for recording daily starting and stopping times in our offices, we established our timekeeping system on the same basis. We drew up a daily performance sheet, designed for easy computation and quick recording, which provides space for the operator's name and date, a description of the job, start and stop times, and piece counts.

Our daily performance form serves as an accounting for every minute of the working day. We have noted that operators themselves have not always realized the amount of time that has been wasted until they start recording their every move during the day.

From the date on the performance form, the timekeeper figures the elapsed time on each job. The rated jobs are extended by multiplying the piece count by the rate and entering the standard minutes earned on the form.

After the form is extended, total working time is checked against the amount of "in-office" time. The total elapsed measured time is then divided

into the total standard minutes earned to determine the percentage of efficiency. Bonus is only earned on the time worked at a rate when efficiency exceeds 100 per cent.

Our experience strongly indicates that four psychological problems must be solved before any office incentive program can be successful. These are (1) fear of the unknown, due to changes in work methods and the alteration of work routines; (2) the feeling that clerical work under incentives bears a resemblance to factory work, with resultant loss of white collar "prestige"; (3) lack of sufficient motivation for earning higher pay; and (4) objection to being watched.

Our approach to solving the first problem, fear, was to take the mystery out of what we were doing. We spent hours talking to operators, showing them how we took time studies, how we plotted our element times, and how we arrived at our standard elemental time values from all our readings. We showed the employee how methods changes and alteration of work routines would make their work easier, and we consistently tried to sell them on giving the incentive program a good try.

Our use of the "honor system"—allowing employees to record their own start and stop times—appealed to their pride sufficiently to help overcome the "factory work" objection. A second solution to this problem lay in selling of the idea that for the first time management had a true gauge for measuring just how efficient each employee was. It was very interesting to note that most office workers resent not being able to prove conclusively that they are good workers.

The third problem—lack of sufficient motivation for earning higher pay—proved to be a real stumbling block.

We found in the first group, and in all other groups since, that performance under the non-incentive environment averaged about 65 per cent of standard. Since our standards as developed paid incentive earnings for performance above 100 per cent, the expected initial increase in productivity came as a great shock to the employees. Feeling the standard was impossible of attainment, many did not even try to improve.

Our ultimate solution to this was to establish a "break-in" allowance which cushioned the effect of the new incentive rates. Initially, we add a "break-in allowance" of 25 per cent to the standard for the first period. This amount is decreased by 5 per cent each period thereafter until, at the end of the fifth period, employees are working on the rates without any extra allowance. The length of each period depends upon the experience factor contained in the job evaluation. We believe that this approach has enabled us to increase productivity at a much faster rate than would have been possible without the allowance.

The employees' objection to being watched melted away after the group became accustomed to the presence of a time study representative in the section. This was probably due in large part to the careful selection of our time study personnel and to the great effort made in explaining and selling the fairness of the system.

The methods we used to solve our problems have proved very effective.

A good example of the results obtained can be found in the transcribing section, where the incentive system was first installed.

This section originally consisted of 15 employees transcribing dictation from cylinder records, and in a sense serving as a sort of stenographic pool. Now, five years after the installation of incentives, the work load has been increased by 30 per cent and the personnel reduced from 15 to 11. Net dollar savings after deducting the cost of installation, maintenance, timekeeping, and incentive earnings, amounts to $30,000 per year. Individual productivity is up 45 per cent, and the average weekly earnings of the girls themselves have increased 34 per cent, not including their normal pay raises and general salary increases.

At present we have a total of 115 office employees, representing 25 per cent of our total office workers, working on direct incentives at our Stamford, Connecticut home office and factory.

The annual savings from all of our office incentive installations now amount to $118,500 after deducting the cost of installation, maintenance, timekeeping and incentive earnings. We think this figure adequately answers the question: "Do office incentives save money?"

—From an address by GILBERT BROOKS (Chief Time Study Engineer, Pitney-Bowes, Inc.) before the Third Annual International Methods-Time-Measurement Conference.

Insured Pension Plans Hit New High

NEARLY FOUR MILLION persons in the United States were covered by insured pension plans at the end of 1953, according to the Institute of Life Insurance. The actual number—3,940,000—was 10 per cent higher than the year before and fully 58 per cent more than the total as of four years ago. It was more than two and one-half times the number of pensions in effect at the end of World War II.

At the close of 1953, there were 15,730 pension plans in force with life insurance companies, more than double the number of insured plans in force at the end of 1945. The annual income at retirement provided by these plans totaled $1.5 billion—and even this is not the full measure of eventual income, since in the case of group annuities, it represents only the amount paid for to date, and additions will be made each year as the plans grow older.

In 1953, total premiums of $1.3 billion were paid into these pension plans, an average of $325 per worker covered. At the end of the year, aggregate reserves set up for the future retirement payments had reached $8.6 billion.

By far the majority of persons covered were under group annuities, either the conventional or the deposit administration type. Averaging 765 persons per plan, these accounted for 3 million persons, or more than three-quarters of the total covered by insured pensions. Of the total group annuities, 3,280 were conventional group annuities covering 2.3 million persons and providing $825 million annual income, and 650 were deposit administration plans covering 0.7 million persons and providing $90 million annual income.

Professors Learn from Industry

A BETTER UNDERSTANDING of practical management problems was gained by 123 college professors who spent six weeks last summer in the offices and plants of 72 U. S. companies.

Their visits were part of the Fellowships-in-Business Program sponsored by Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. Since 1948, when the program was started, 500 Fellows from 246 different colleges and universities have visited 121 participating firms.

Participants in the program select the category of firm they are most interested in studying—e.g., manufacturing, finance, insurance, transportation, distribution. For the most part, fellowships are granted to young college and university staff members on the instructor, assistant and associate professor levels, mainly from either departments of economics or schools of business. There is, however, a growing interest in participation on the part of teachers of the humanities, and candidates from English, history and other departments were included in last summer's program.

The cost of the program is borne entirely by participating firms. Professors are furnished with transportation between the plants and their homes and given $500 to cover expenses for the six-week period. The stipend is not intended to make participation in the program a substitute for a summer job. During the six weeks, interviews with supervisors and top executives give the educators a first-hand look at such problems as pricing, cost analysis, incentive systems, research, finance, and industrial and public relations.

—*Iron Age* 11/4/54

New Analysis of Labor Contract Provisions

A NEW REPORT, *Labor-Management Contract Provisions 1953*, on the prevalence and characteristics of certain types of provisions contained in collective-bargaining agreements, has just been released by the U. S. Bureau of Labor Statistics.

The report is divided into four sections—each dealing with a particular field covered in collective bargaining: Premium Pay for Weekend Work; Holiday Provisions in Union Agreements; Paid Time for Washup, Cleanup, and Clothes Change; and Paid Rest Periods. These studies were based upon analysis of a representative sample of over 1,600 collective bargaining agreements selected from the Bureau's file of contracts.

Copies of the report (Bulletin No. 1166) may be obtained for 25 cents each from the U. S. Bureau of Labor Statistics regional office at 341 Ninth Avenue, New York 1, N. Y.

Tax Relief: How Much for Your Company?

THE sweeping new Internal Revenue Code of 1954 is estimated to have cut $1,363,000,000 from business and personal taxes this fiscal year. Perhaps twice that sum will be saved in future years.

Is your company prepared to take its legitimate share of this tax relief? Many of the provisions are already in effect. Day-to-day operating decisions may determine whether or not you can get the most benefit from the new provisions.

Though in general the new tax law is much more liberal toward business than the old one, some loopholes have been plugged and some provisions bear down a little harder.

While individual company conditions determine the applicability of any general statement, certain key areas affected by the new law can be spotlighted:

1. *Faster depreciation.* Depreciation write-off is greatly speeded. A much greater portion of the cost of new equipment can be written off in the early part of the useful life of the asset. Under one new method, for example, double the amount previously allowed can be written off in the first year.

The deductions are no greater over the entire useful life, but they are much greater in those years when the expenditure is most felt and before returns may begin to taper off because of obsolescence. A "switch" from one method to computing depreciation to another may often be advantageous. Be sure to note that some switches are automatically permissive and some are not, and that the kind of records you keep (or fail to keep) may defeat the benefit the law holds out to you.

If you have been leasing equipment instead of buying outright, you may want to reappraise your practice in the light of the new laws. And perhaps you will want to look into earlier disposal of used equipment.

2. *Immediate deductions for research and development.* Research and development costs may now be deducted in the year they are incurred. It's no longer necessary to wait to get a patent or give up an experiment as a failure before the costs can be deducted.

3. *More realistic tax accounting.* Tax accounting under the new law has been brought more nearly into line with generally accepted accounting principles. Income reporting can be more realistic. Estimates of such future expenses as refunds and rebates, allowances for discounts, claims for damages, etc., may be deducted from current receipts. Advance rentals may be deducted in the years in which they will be earned and in which there will be expenses such as maintenance or repairs to deduct.

The estimated expenses can be deducted if you can make a reasonably accurate estimate based on your own experience or that of others in similar circumstances. Of course, only those anticipated expenses which apply to the revenue of the current period may be deducted. Altogether, there will be less difference between taxable income and net income as it is figured by accountants for ordinary business purposes.

4. *Aid in accumulating earnings for expansion.* Retention of earnings for future expansion or modernization is made easier by the granting of a $60,000 ac-

cumulation-credit (total for all years). Also, if any part of a greater accumulation is deemed not for "reasonable needs" of the business, the penalty tax is applied only to that particular part, not to the entire accumulation for the year, as formerly.

Most important, the burden of proof is now laid upon the Internal Revenue Service. In most cases, a business with legitimate savings for bona-fide purposes of expansion or modernization need no longer fear the penalty tax.

5. *Some corporate tax payments accelerated.* Corporations with an anticipated tax liability of $100,000 or more must make their tax payments earlier in the year. The process is to be stepped up gradually over a five-year period. A firm which uses the calendar year (fiscal year corporations will use corresponding dates) will pay 5 per cent of its 1955 tax in September 1955, 5 per cent in December 1955, and 45 per cent in March and again in June of 1956. Each year the September and December payments will increase and the March and June payments will decrease until there will be equal installments of 25 per cent in September and December of 1959 and March and June of 1960.

6. *Greater off-sets to losses.* Under the old tax law, the impact of a net loss incurred in one year might have been softened somewhat by a carry-back to the preceding tax year. This carry-back generally meant a refund of some or all the taxes paid the year before. Any losses not absorbed in this way would be carried forward for as many as five years following the loss year. These carry-forwards would reduce your taxes in later years, but they were no help in bringing in immediate cash. Now the new law provides for a carry-back for two years instead of one, in addition to the five-year carry-forward. In many instances, this will mean that greater refunds of prior taxes will be available to add to your working capital.

These are only the highlights. Over 3,000 technical changes have been made in this colossal overhauling of the federal tax code. Once those that affect your company's operations have been located and applied, chances are you'll be happier with the new law than you were with the old.

—American Institute of Accountants (270 Madison Avenue, New York 17, N. Y.)

Capital Equipment Leasing—A Survey

TO WHAT EXTENT does industry currently favor the leasing of capital equipment? A recent *Mill & Factory* survey conducted among 266 industrial firms of all types and sizes found that 18 per cent of the respondents now lease capital equipment while another 12 per cent plan such leasing in the near future. Machine tools (43 per cent), materials handling equipment (26 per cent), and office equipment (51 per cent) are among the items leased. According to 72 per cent of the firms replying, this equipment is covered by legitimate leasing plans—i.e., plans which are not simply inducements for outright purchase.

Some of the reasons given for leasing instead of purchasing include postponement of large initial outlay (74 per cent of respondents leasing equipment), tax deductibility of payments (63 per cent), and ease of keeping plant up to date (30 per cent).

The Four-Day Week: How Soon?

How far off is the four-day week?

The standard five-day week has been lodged in American life for only a decade or so. Yet for some reason it is widely regarded today as something natural and immutable. Recently, *Fortune* mailed a questionnaire about the feasibility of a four-day week to fifty large industrial firms (more than 30,000 employees) and fifty medium-sized companies (300 to 3,000 employees). If there is a single U. S. company whose spokesmen are willing to affirm that a four-day week is possible and desirable in the fairly near future, it has not been found.

The fact that most American business men regard any future four-day week with misgivings and even hostility does not, of course, mean it is never coming. A quarter of a century ago there was a great debate about the five-day week. Speaking for the affirmative, but almost alone among business men, was Henry Ford. He had introduced the five-day week, he said shortly after the event, "because without leisure the working men—who are the largest buyers in the country—cannot have the time to cultivate a higher standard of living and, therefore, to increase their purchasing power." Virtually all the business men who addressed themselves to the subject found differently. In general, they had three major objections to the five-day week: the cost would be prohibitive; the workers would not know what to do with their leisure time; and there was Biblical sanction for the six-day week.

An important reason for the cautiously noncommittal attitude of business men today is that their employees have been unionized. To declare that a four-day week might soon be feasible would be to give, gratis, a large bargaining counter to the union. On the other hand, to suggest that employees cannot look for any more leisure time would be inept public relations.

Labor leaders also appear to be preoccupied elsewhere. It is true that both the major labor federations have clearly defined ideas about affording more leisure for the American worker. But these do not include the four-day week—yet.

If both labor and management are uninterested in the four-day week, what good reasons are there for talking about it? Briefly, two kinds of reasons might be adduced: The four-day week would be desirable, both for business and employees; and it would almost certainly be attainable.

The major reason for thinking a four-day week feasible is, of course, the continually increasing productivity of U. S. industry. Productivity—i.e., output per man-hour—has been rising by 2 or 3 per cent a year, taking the economy as a whole, for more than fifty years now. And, barring a war or a prolonged depression, Americans clearly have some further benefits in store. The question is whether they will take these benefits in the form of increased income, increased leisure time, or in a combination of both.

A calculation made by *Fortune* for the years since 1929 suggests that in the past quarter-century U. S. workers have been taking about 60 per cent

of the productivity pie in the form of income, about 40 per cent as leisure. Assuming that the four-day week for nonagricultural employees will be attained when the total work week is in the vicinity of 32 hours, that productivity continues to increase at an average of 2 or 3 per cent a year, and that something on the order of the recent 60-40 ratio for income and leisure continues in effect, the 32-hour week should be spread throughout the whole non-farm economy in about 25 years.

If the four-day week seemed sufficiently appealing, of course, it could be achieved much sooner. A lot of Americans might, in other words, be willing to work nine hours a day. That, theoretically, would enable them to enjoy the four-day week when total hours of work were down to 36. If they made such a decision—if they traded the eight-hour day for the three-day weekend—then the great event would be scheduled to arrive, not around 1980, but in the 1960's.

A large number of business men maintain that the four-day week has no applicability to their own operations. The following problems are suggestive of the wide variety of "insurmountable" obstacles that would be encountered:

Manufacturing companies with three-shift operations would run into formidable scheduling difficulties if the nine-hour day were introduced.

Companies whose total hours of operation could not be reduced would have to hire more employees.

Retailing provides a peculiarly difficult situation. To remain open six days and give their employees a four-day week, department stores would have to hire 25 per cent more workers than they now employ.

A final question must be considered. Do workers really want more leisure? Many employers are still convinced they do not. Now there is no doubt that, given more time off, some workers might drink too much, or beat their wives, or go insane watching daytime television. Others might work themselves to death on second jobs. But the $30-billion leisure market, the remarkable emergence, almost from nowhere, of a huge, new do-it-yourself market, and even the familiar Sunday-afternoon sight of cars crawling along bumper to bumper, suggest strongly that most American workers have a pretty good idea of what to do with their time off.

Meanwhile, in the income-leisure choice for the years ahead, there will be one strong pressure for leisure: The workers who have been energetically pushing their way into the middle-income class have, naturally, become increasingly preoccupied with federal tax demands. "If we get more dough," said one AFL man recently, "the government can take back part of it. But they haven't yet figured out a way to tax your day off."

—Daniel Seligman. *Fortune*, July, 1954, p. 81:6.

THE DEMAND for men over 40 to fill executive jobs is on the increase. The Forty-Plus Club of New York, Inc., whose membership consists of out-of-work executives over 40, has found jobs for almost 50 per cent of its members this year.

—Lawrence Stessin in *Forbes* 5/15/54

Employing Older Workers: The Pension Barrier

SINCE PRIVATE PENSION plans became tax-deductible and collectively bargainable, they have been spreading like wildfire. Today they number well over 20,000, and are growing at the rate of several hundred a month.

These plans are infinitely varied, but one feature is fairly common: The benefits for workers entering the scheme at an older age are apt to be higher in proportion to the contributions made on their behalf than the benefits for younger workers. This is almost unavoidable, unless the latecomers are to be put off at retirement with nothing but cigarette money. Suppose a plan sets out to provide \$50 a month at age 65, and—to take an extreme case—the employer hires a man who is already 64. To put this new employee on an equal footing with lifetime employees, he might well have to make an initial contribution of something approaching \$5,000. This being so, it is unthinkable that an employer should hire the 64-year old man.

In a lesser degree, this difficulty of making up back credits may occur at other ages, down into the 50's and 40's. With something over one-fifth of all non-farm workers now under some such plan, and with the rapid spread of private pensions month by month, it seems a fair assumption that private pensions are erecting a formidable barrier against workers in their 40's and over, at the very time when we ought to be contriving plans to produce exactly the opposite result.

A partial solution to this dilemma would be full vesting—i.e., permitting the worker under such a plan to take with him the equity represented by his employer's contribution to the pension plan, in case he leaves this employer before retirement.

Most plans do not have vesting. A Bureau of Labor Statistics survey last year showed that three-fourths of collectively bargained plans have no vesting at all; while among the rest, vesting requires 10 or 15 years of service.

If all plans had vesting rights, the older worker applying for a new job would come armed with a substantial vested pension right, and the new employer's obligation would be merely to keep him current. The vested right would take the place of the back-credit obligation, which now stands as an obstacle to employment.

The trouble is that it is said to be prohibitively expensive to put in a fully vested plan from the very start. The fully vested rights that do exist will most often be found in the older plans, and they were usually built up gradually. The new plans could be converted to vesting plans over a period of years, if the parties so agreed; but there is little evidence as yet that the parties are sufficiently impressed by the gravity of the situation to initiate the necessary amendments.

At best, of course, this would be a partial solution, since most workers would still have no vested credits of any kind, having been under no plan at all. This being so, we cannot avoid the challenge to try to invent some device which will get round this ob-

stacle. Here is a very immature idea, offered in the hope that others may be able to work something out of it: In workmen's compensation we have a somewhat analogous problem. Suppose a man has only one eye. Suppose under the statute the loss of one eye costs the employer $3,000, while the loss of both eyes costs him $12,500. Under most acts, the employer takes the employee as he finds him, and is liable for the full ultimate disability, when an industrial injury combines with a pre-existing condition. The effect is obvious: No one would hire a one-eyed man, or a one-armed or one-legged man. The same accident which would result in a cost of $3,000 for a normal man would cost the employer $12,500 for the one-eyed man.

To meet this awkward situation—an earlier example of beneficent legislation having an unexpected, cruel by-product—the Second-Injury Fund was devised. This is a special fund, built up by windfalls (such as deaths without dependent) or by assessments on carriers and self-insurers. In this kind of case, the employer pays only what he would have paid if the injured man had been whole when hired; the fund pays the rest. The solution of the problem of hiring handicapped workers would never have come within the realm of possibility if the second-injury fund technique had not been invented.

The analogy is fairly persuasive. Just as the handicapped worker came trailing his potential extra thousands of dollars of liability, so the older worker comes accompanied by the spectre of a back-credit obligation. Is it beyond the ingenuity of employers and insurers to design a pension-fund equivalent to the Second-Injury Fund? Undoubtedly the problem would be more complex, and would be national in scope, and would involve an appalling variety of plans and financing arrangements. Whatever the difficulties, however, some solution will have to be devised if the plight of the aging worker is ever to approach a remedy.

When we solve this problem of pension costs, we shall not have solved the problem of age in employment—that must be conceded. But until we have solved the problem of pension costs, we shall not have even made a start on the problem of the older worker in the major industries of this country.

—From an address by ARTHUR LARSON (Under Secretary of Labor) at the Third Conference on the Problem of Making a Living While Growing Old.

Severance Policies: A Survey

SEVERANCE POLICIES for non-administrative employees were recently studied by the Chicago Chapter of the National Office Management Association in a survey covering 162 firms employing almost 82,000 office workers. Here are the major survey findings—

If staff is to be reduced for reasons of economy, in 25 per cent of the companies it is the immediate supervisor who determines who is to be released; in 24 per cent, the office manager; and in 22 per cent, a combination of superiors including the office manager.

The basis for determining who shall be released when a company

retrenches varied widely. It was usually a combination of such factors as attendance, seniority, ability, quantity and quality of work, loyalty and job interest. Seniority was rarely a determinant except when called for by union contract.

Seventy-two per cent of the companies conduct an exit interview, and advance notice is given in 68 per cent of the companies. In most cases, the advance notice is at least two weeks, and more if possible. Only 18 per cent give leave to find another position. Fifty-four per cent grant separation pay. Accrued vacation is allowed by 73 per cent of the companies. Seventy-six per cent of the companies try to find the employee another position within the company, and 50 per cent try to find the employee another position elsewhere.

1. *If dismissal is because of employee failure,* he is informed by the immediate supervisor in 49 per cent of the cases and by the office manager in 27 per cent of the companies.

The dismissal must be authorized by the office manager in 35 per cent of the companies, by the immediate supervisor in 26 per cent, and by a combination including the office manager in 19 per cent.

In the case of discharges for employee failure, 78 per cent conduct an exit interview.

2. *In the case of voluntary resignations,* exit interviews are conducted in 84 per cent of the companies. If an employee voluntarily resigns and later reapplies for work, 81 per cent of the companies will consider his rehire.

3. *Leave of absence without pay* is granted by 93 per cent of the companies. The exit interviews are conducted by the personnel department in 41 per cent of the companies by the office manager in 26 per cent, and by the immediate supervisor in 7 per cent.

—A. H. GAGERIN *Office Executive* 11/9/54

Accident Experience—The Best Teacher

EVEN THE MOST safety-minded supervisor may tend to concentrate on *potential* hazards, and entirely overlook the safety lessons that can be brought home dramatically to other workers when a man meets with an accident on the job. Here are some points supervisors should keep in mind:

1. Build on employees' natural interest in "what happened" in an accident case by supplying the real facts and correcting misinformation surrounding the mishap.
2. Publicize situations in which the proper use of safety equipment, safety clothing, or safety guards has helped to avoid accidents.
3. Analyze accidents and then stress steps to be taken to avoid repetition.
4. Correct any accident-causing conditions arising from faulty equipment, machinery, materials, or tools.
5. Bring safety instruction up to date on the basis of accident experiences.
6. Revise safety rules where necessary to avoid repetition of accidents.
7. Use accidents as the basis for talks with employees or in safety committee meetings. Discuss, "How could this accident have been prevented?"
8. Report accurately to employees to avoid confusion, rumors, and misinformation concerning the actions of other employees or supervisors.

—*Management Information* (Elliot Service Company, 30 North MacQuesten Parkway, Mount Vernon, N. Y.)

A Four-Point Fire Prevention Program

ANY insurance manager who believes that his plant is fully protected by an insurance policy against all possible losses resulting from fire is deceiving himself and his top management. He has forgotten that every fire destroys *forever* something of value; that the insurance premium he pays is determined to a large extent by the aggregate value of material destroyed by fire; and that serious fires usually involve many uninsured and uninsurable losses.

The conclusion is obvious—a serious fire is a wasteful, unprofitable event that can put a company out of business and that will certainly have many unpleasant effects. It is also obvious that adequate protection must include, in addition to insurance policies, a sound fire protection program to prevent serious fires from occurring.

Such a program would embody four basic principles:

1. *Prompt Fire Detection*. If fires are to be controlled, they must be discovered promptly. Fire chiefs will tell you that the first five minutes are the most important in any fire attack. In seven out of every 10 large loss fires, discovery was seriously delayed.

Records show that sub-standard watchman protection is no better than no watchman service at all. This was true in 13 large loss fires last year. Fires often occur in buildings where the watchman is hired to patrol outside the building only; it is obvious that he will not discover a fire inside the building while it is still controllable if his tour does not take him through the interior at regular intervals. There are also cases where the watchman is assigned several duties in addition to his watchman responsibilities or where the management feels that it is all right if he takes a little nap or goes home early.

2. *Prompt Alarm Transmission*. Sometimes orders to call the fire department are issued only as a last resort. Employees often fail to transmit alarms promptly because this fire safety principle seems so self-evident that managements neglect to stress it to their employees.

At a paper products plant in Los Angeles, a fire was discovered quite promptly, but the 20-minute delay in notifying the fire department as employees tried to control the blaze with portable extinguishers allowed the fire to spread beyond control.

3. *Effective Fire Attack*. A third fundamental of fire safety that is often neglected is the provision of strong facilities for fire control, both manual and automatic. Such facilities would include private fire brigades, public fire departments, adequate water supplies, and, of course, sprinkler protection.

Here are a few case histories that show how much management stands to lose by failing to provide means for effectively fighting fires.

There were 23 large loss industrial fires last year in buildings protected by automatic sprinklers. That this protection was unable to prevent severe damage is an indictment of those responsible for fire safety in these buildings rather than a criticism of the sprinklers.. Take, for example, the $356,000 fire in a veneer plant in Statesville, North Carolina. The fire originated in a sprinklered dryer, and because the sprinklers were shut off for some unexplained reason, an intense fire

eventually burst out of the dryer and spread to all parts of the undivided 59,000 sq. ft. building. No action had been taken on a recommendation by an insurance company engineer to erect a fire wall and thereby reduce the area subject to destruction.

Partial sprinkler protection is certainly better than none and has frequently done an excellent job in controlling fires. Unfortunately, it is impossible to know with certainty where all fires will start, and when fires begin in an unsprinklered area, the results can approximate the $2,657,000 fire at a paper box factory in Philadelphia. The unpardonable sin of permitting aproximately six acres of floor space to remain undivided in a building two-thirds of which was unsprinklered was the principal reason that this one-story factory was destroyed.

4. *Sub-Division of Areas.* By subdividing large areas, the amount of loss that can be caused by any one fire can be definitely limited. If your fire prevention program slips up, if your watchman isn't on the job, if your sprinkler valves are closed—if everything that you have relied on to prevent large fires fails—the size of the fire will still be limited by the size of the area in which it starts.

Since large areas are necessary to assembly line operations, it is obviously impossible to chop up the assembly lines with fire walls to increase fire safety. However, areas should be limited to the size absolutely necessary, special hazards should be segregated, and in necessarily large areas, additional stress must be put on facilities for prompt fire detection and control.

A fire wall by definition is a wall with all openings protected. However, many fires occur in buildings in which doorways in fire walls are either unprotected or blocked open.

Subdivision of fire areas means vertical, as well as horizontal, subdivision. Vertical subdivision is accomplished by closing stairways, elevator shafts, and other openings through which a fire could spread from floor to floor.

—From an address by CHESTER I. BABCOCK before the New York Chapter, National Insurance Buyers Association.

Industrial Life Insurance Grows

A TOTAL of 112 million industrial life insurance policies were outstanding in the United States at the end of 1953, representing $37.8 billion of family protection. Purchases of new insurance of this type in 1953 amounted to $6.5 billion—more than was bought in any previous year.

Over the past 10 years, the number of industrial insurance policies in force rose only 19 per cent, while the amount of insurance in force increased 52 per cent.

While men account for about 80 per cent of regular ordinary insurance and 88 per cent of regular group insurance, they own only about one-third of the industrial life insurance. Women own nearly one-half of the industrial life insurance in force, and about one-fifth covers the lives of children.

Industrial life insurance accounted for payments of $670 million to policyholders and beneficiaries in 1953—representing one-seventh of total benefit payments in the United States.

—*Life Insurance Fact Book, 1954* (Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y.)

Group Insurance: What's Ahead for Management?

Most of the tremendous growth of group insurance plans since World War II has been in plans financed in whole or in part by employers to provide employees with protection against sickness and accident, hospitalization, and medical expenses. Industry, it seems, is paying more and more of the nation's health bill.

Despite this growth in employee health plans in recent years, employers are still under pressure from unions for more and bigger benefits. An AFL research report pinpoints the areas in which unions are concentrating. First of all, benefit amounts are going up to keep pace with the rise in hospital and medical costs. A few years ago, for example, payments for hospital room and board ranged from $5 to $7 a day, whereas now they're usually $8 to $12.

The second trend which AFL reports is that more plans are providing coverage for employees' dependents. Thirdly, employers are paying more of the cost of hospital and surgical benefits (although some are successfully resisting this trend). Finally, employees on layoff are now covered for a longer period of time than they were at first.

What does all this mean for employers? According to Benson Ford, vice president of the Ford Motor Company, it means that the financial load of the health care of individuals is being shifted more and more to industry. And the result, he says, is that employers have a greater interest in the whole health system of the country.

In an address before the American Hospital Association, Mr. Ford explained some of the problems which confront employers in trying to meet the health needs of their employees. A basic difficulty, he finds, lies in trying to provide "reasonably equal benefits for all our employees in all locations." In order to cover its employees in 135 establishments, Ford has entered 40 separate agreements with state or local insurance carriers, most of them Blue Cross. But there's a great deal of variation from plan to plan. In Michigan, the plan pays for 120 days' full hospitalization and covers 97 per cent of the cost of the average hospital bill. In another state, however, the best plan available pays for only 21 days of hospitalization at $6 a day.

The usual reason for lower benefits, Mr. Ford says, is a local shortage of health facilities. Many times, this has resulted in employers setting up their own plans and group clinics, and some have even gone so far as to build hospitals in order to give employees the same caliber of medical care as they could get in other areas.

Another problem is that of predicting future costs of health plans. First, there's the practical question of unavoidable increases in the cost of medical and hospital care in order to pay for expensive equipment and skilled personnel. To offset these unavoidable

cost increases, Mr. Ford believes that there should be a greater effort to cut the avoidable costs of such items as administration. In Michigan, he says, about 18 per cent of the annual bill for Blue Cross-Blue Shield has been used up by abuses of the plans.

A second phase of the cost angle is that employers don't know how far they can and should go in providing health coverage for employees. Mr. Ford points to the growing tendency of unions to ask for completely comprehensive coverage. Ultimately, he says, this could include prepaid preventive or diagnostic health care, protection against catastrophic illness, prepaid dental care, treatment of chronic and mental illness, and vocational rehabilitation—some of which, in fact, are already included in existing group plans.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) September 23, 1954, p. 8:1.

Should Your Company Publish Its History?

WAYNE G. BROEHL, Jr.
Amos Tuck School of Business Administration
Dartmouth College

HISTORY, TO the typical American, conditioned as he is to rapid change, too often calls to mind a dull and academic chronicle of bygone events in which he has little interest or personal concern.

This, of course, is far from the truth—both for the field of history as a whole and for its relatively new branch, business history. If the study of history were based solely on the desire to explore the past as a kind of intellectual exercise, we might find an almost universal agreement by business men that such a hobby was truly a "sport of kings" to be indulged in only by those who were already living off the proceeds of their first million. But if the study of history were used to relate the past to the present and the future, to provide not only facts but perspective, to develop from past experience insights into future decisions, it might come to be regarded as a practical source of guidance among men of action.

In many respects the field of business history is uniquely qualified to meet these important goals, and in so doing to establish a better understanding of business on the part of its various "publics." In addition, a well-done business history accomplishes a number of other, less obvious purposes.

Often, for example, a company will use the history as an accurate and concise record-preservation device. An objective company history should exert a salutory influence on the attempt to professionalize the management of a company, for properly interpreted past facts can often prevent repetition of past mistakes. A history of a firm may be a powerful tool in aiding in the development of a service concept of business management—a stewardship function in

addition to that of profit-making. Put to such uses, a business history can be a highly effective management tool.

The values of a business history extend well beyond the company itself. For example, the field of education—particularly education for business—can greatly profit from study of business histories. Moreover, business history can be a vital instrument in public education and in promoting a better understanding of the free enterprise system and of its business institutions.

Assuming that management, recognizing these advantages, considers it advisable to undertake a "corporate biography," one of its first problems is to decide who shall write it.

Often this task falls to a company executive—the secretary, the public relations director, advertising manager, or a member of the personnel staff. Each may have a special contribution to make, but there is always the danger that one area of company operation may be emphasized to the neglect of another. If they were to combine and if each member made a really worthwhile contribution, a better history would undoubtedly result. But this is a large order and is seldom carried out with notable success.[1]

Second, a commercial free-lance writer may be called in. Many are available and, on occasion, good histories have resulted. Here it should be recognized that lack of impartiality is always a potential danger, for the free-lancer is naturally reluctant to bite the hand that feeds him. This obstacle is by no means insurmountable, however, and it may be more than counter-balanced by the outside writer's experience and professional ability.

A third possible "author" is an outside advertising agency. Here the same difficulties of the first two alternatives are often present, together with an inherent tendency to "advertise" the company rather than provide a factual and rounded history. If these problems are explored with the agency in advance, however, it should be possible to avoid them.

Actually, the particular field from which the writer is chosen is not nearly so important as his abilities as a business historian. He should be well trained in one or more basic functions of business, such as production, finance, or sales. He should have a sense of history, and he should be scholarly—without being academic. A further requisite is a genuine interest in business—an interest that is colored by neither a negative nor a positive bias. Finally, he must be able to express himself well, not only in writing but in face-to-face contacts, for he must communicate effectively in order to unearth necessary background facts.

Just what resources should a researcher have available in order to write a business history? A specific list of sources for an individual company would, of necessity, depend on the type and extent of records it maintains and on the nature of its past experience. If there is a real dearth of recorded source material, management should reconsider undertaking the project at all. Rarely, however, will the writer have access to *all* the records he wants and needs. Some gaps almost always exist.[2]

The writer must of course be free to interview at length all persons who can

[1] For a discussion of some of the "roadblocks," see Ralph W. Hedy, "Problems in Collaborative Writing of Business History," *Bulletin of the Business Historical Society,* XXIII, No. 2 (June 1949), pp. 67-77.

[2] Two excellent sources for guides to proper record preservation are Ralph M. Hower, "The Preservation of Business Records," *Supplement to Bulletin of the Business Historical Society,* 1940, and Irving P. Schiller, "A Program for the Management of Business Records," *Bulletin of the Business Historical Society,* XXI, No. 2 (April, 1947), pp. 44-48.

contribute in any way to his source material. On the question of skeletons in the company closet, compromise should be avoided if at all possible, for undisclosed facts have a way of coming to light anyway, and the history provides an opportunity to present them fairly. Certainly the writer would be expected to exercise extreme discretion in the matter of publishing any facts that might be embarrassing or injurious to an individual or his family.

This is a question for top management decision and it might require legal counsel as well. In any event, if a business history is to gain genuine acceptance and accomplish its objectives, it should be as frank and honest as possible; otherwise the whole story will be regarded with skepticism. It is well to remember, too, that no serious scholar would care to be associated with a published work that omitted material facts.

In closing, it should be emphasized that a well conceived and executed business history can be a valuable asset to the company. Judged solely from the standpoint of the economic information thus made available to educators and the public, such an undertaking may more than justify the expense and time involved. Add to this the potential values for internal use in management planning and control, and it becomes clear that a project of this kind merits management's serious attention.

Make It or Buy It: Which Pays Off?

UNDER WHAT CONDITIONS is it smarter to make your own components rather than buy them from outside suppliers? In a recent survey of 23 manufacturers, The Worcester Pressed Steel Co. (Worcester, Mass.) made the surprising discovery that only half of the 10 big companies replying buy from outside suppliers in order to save money. All but one of the big companies buy parts to get the benefit of an outside supplier's specialized facilities. At the same time, half of the companies—large and small alike—buy outside because "we do not have plant space."

About 50 per cent of the respondent companies, both large and small, say they prefer to make their own parts because (1) it's the way to integrate plant operations, (2) the parts they want are complex or of confidential design, (3) it's cheaper. Only two of the bigger companies say they prefer to help carry their overhead by making their own parts, while 11 of the 13 smaller companies give this reason. Nearly half the small companies say they can eliminate transportation difficulties and expenses by making their own parts; none of the big companies gives this reason.

One company replying in the survey, a Wisconsin company, buys some of the same goods it makes itself, then uses the supplier's low prices as a bargaining tool to explain to the union why higher wages can't be absorbed. Another company buys some things from outside to keep its own engineering and design people on their toes. Still another reviews its make-or-buy situation with every yearly model change, with costs being the prime consideration—but occasionally buys outside despite higher costs, because it wants to keep the supplier's good will.

Generally, it seems, when production is booming and plants run out of space, machinery, and manpower, the "buy" decision runs well ahead of the "make."

—*Business Week* 7/3/54

Accelerated Taxes: Industry Feels the Pinch

ACCELERATED INCOME-TAX PAYMENTS, as required under the Mills plan, are having an adverse effect upon the operations of more than one-third of the 198 manufacturing companies recently surveyed by the National Industrial Conference Board.

The Board found that most large companies, and many smaller ones, have been able to comply with the speed-up schedule called for by the Revenue Act of 1950 without undue strain. But 65 of the companies were forced to borrow money, defer normal outlays, reduce inventories, or take other unusual steps to meet the March 15, 1954, tax installment.

Sentiment ran more than two to one against any further acceleration of income-tax collection and the proposed conversion to a partial pay-as-you-go plan. Caught between the two acceleration programs, many companies would like to get back to the four-quarter-payment basis, but are not particularly pleased with the pay-as-you-go method as the means to that end.

The companies reporting adverse effects include a relatively large number whose operations have a high seasonal factor, or whose working capital requirements are high in relation to their fixed capital investment. Forty companies indicated that they were forced to borrow or to increase normal short-term borrowing to obtain money for March taxes. A few companies reported that they modified outlays or deferred capital investment because of the high tax installments.

U. S. Business Goes to the Fairs

AMERICAN BUSINESS MEN are giving a lot of thought to fairs. Not the U. S. variety, but foreign trade fairs, a real marketing institution in many overseas countries.

Many manufacturers in foreign countries, particularly in Europe, rely on the trade fair as the most effective means of reaching the greatest number of consumers and commercial buyers. The Paris International Fair last year attracted 3.5 million people; this year's fair at Milan brought in 4.5 million people. American products were displayed by 571 exhibitors at the Milan fair this year.

The Commerce Department and other government agencies are backing better U. S. attendance, plus a more concerted effort, at world trade fairs. The Commerce Department has arranged to survey American business men for their 1955 fair-attending plans,* and on the basis of this information to work out some arrangement to coordinate scattered U. S. exhibits into an American "theme." The Bureau of Foreign Commerce also is expanding its services to business men.

The government doesn't intend to pay for the transportation of any U. S. goods to a foreign trade fair, nor will it buy U. S. goods to display at fairs. Basically, the business man still has his responsibility to sell his products; the government is now taking part of the responsibility for selling the U. S. —*Steel* 10/4/54

* Companies now intending to exhibit abroad in 1955 are asked to cooperate by obtaining copies of the questionnaire, "Survey of U. S. Company Participation in International Trade Fairs," from any Field Office of the Department of Commerce, or directly from the International Trade Fair Operations Division, Bureau of Foreign Commerce, Department of Commerce, Washington 25, D. C.

For the Specialist . . .

Workmen's Compensation: The New Policy Form

UNTIL THE FALL of this year, workmen's compensation coverage was written by almost every casualty insurance company on a form drafted more than 35 years ago, which had not been changed, except by endorsement, since it was first put into use. As workmen's compensation laws were changed, as coverages were broadened, as new premium computation plans were devised, and as new problems developed, endorsements to meet these situations were drafted for use with the standard policy. The result was a contract which was expensive for the companies to prepare and issue and difficult for an employer to understand.

Work on a new policy form was begun in 1949 and completed in 1953. On October 1, 1954, the new form went into effect in every state and territory where private carriers write workmen's compensation insurance, with the single exception of Arizona.

The new policy is divided into four main parts—declarations, insuring agreements, exclusions and conditions. It is largely phrased in language which is familiar to every insured who purchases third-party liability insurance.

The new policy includes in the premium condition the basic premium computation manual rules, either expressly or by reference to "the manuals in use by the company." Premium discount and retrospective rating endorsements, with a few minor exceptions of no practical importance, will be the only premium computation endorsements used with the new policy.

In 26 of the 45 jurisdictions which have approved the new program, the new policy, without endorsement, will constitute the basic workmen's compensation insurance contract. In each of the other 19 jurisdictions only one endorsement will be necessary to complete the basic contract.

Experienced underwriters who participated in the development of the new policy have estimated that well over 90 per cent of workmen's compensation contracts written on the new standard provisions policy form will be issued either without endorsement or with only one endorsement on each policy.

The new policy covers all operations of the insured in any state designated in Item 3 of the declarations. The new policy, unless restricted by endorsement, gives coverage not only for bodily injury by accident, but also for injury by disease.

In the past, an employer with widespread operations or with a countrywide distribution or service organization has quite commonly found that some of his employees were not subject to any workmen's compensation law. Moreover, all too often such an employer has found himself liable to an injured employee for workmen's compensation benefits under a state workmen's compensation law for which he had not purchased coverage.

To meet the first of these difficul-

ties, the carriers have devised various forms of voluntary compensation endorsements, varying from state to state and from company to company.

To provide protection for the employer who unexpectedly found himself subject to a workmen's compensation law for which he had not purchased coverage, many carriers devised various forms of so-called "universal" or "all states" coverage. Under the new program these coverages have been standardized. An employer may purchase either or both coverages, each of which is provided by a separate endorsement.

In order to make certain that all policyholders are treated alike, the carriers participating in the new policy program will, in the event of work injuries occurring on and after October 1, 1954, and arising out of operations covered by workmen's compensation insurance contracts written on the earlier policy form, construe such contracts as affording (subject to certain conditions) the same coverage as if such contracts had been written on the new form. Thus, in order to secure the coverage advantages afforded by the new policy, no employer need request his insurance carrier or agent to cancel his present workmen's compensation policy and rewrite his coverage on the new form.

—ASHLEY ST. CLAIR. *The Spectator*, October, 1954, p. 24:3.

Economics for the Blue-Collar Man

IN THE mining town of Sigurd, Utah, employees of U. S. Gypsum Co. and their wives are discussing the American economic system—what it is, how to protect it, how to improve it.

The same kind of talk is going on near the Canadian border at Aluminum Company of America's big Massena, N. Y., plant, and in more than 30 widely-scattered plants of Borg-Warner Corp., maker of appliances and automotive and aviation components.

In Latrobe, Penna., about half the adult population has learned to talk economics. And throughout the country, one million more industrial workers will be joining economic discussion groups this fall.

In fact, a vast lot of economic education is taking place in American industry. The students wear overalls. You're barred if you're part of the management of the particular concern where such classes are held. All sessions are voluntary. Nevertheless, better than 90 per cent of all eligible employees attend these discussions, which are customarily held on company time.

Usually the concern which sets up programs for either line employees or foremen can't put its finger on exactly where this expenditure in company time and stockholders' money has paid off in direct tangible benefits. But executives say that as a result of the courses, the employees involved almost invariably become better reasoned and more seasoned partisans of the U. S. free enterprise system.

The president of a large coal mining

concern remarks: "We've found that better than 90 per cent of our employees now believe that one who supplies the tools of production should be compensated for their use, as against 45 per cent before. That's been payoff enough for us."

The number of companies adopting programs of one kind or another to get their economic views across to employees has been increasing almost constantly in recent years.

Les Avery, Information Director of the National Association of Manufacturers, estimates better than 1,300 of the organization's 20,000 member companies have some sort of economic schooling program in operation. As recently as 1952, just a little over 1,000 had such programs; in 1945, less than 100.

Fred Clark, general chairman of the American Economic Foundation, a nonprofit group headquartered in New York, says preliminary estimates show that this year at least 600 companies, many of these also members of the N.A.M., will have held economic education sessions based on courses, distributed by his group, which are built around a series of films designed as a means of suggesting topics for discussion and getting the viewers to talk.

The so-called "right" economic answers, of course, aren't immediately forthcoming in discussion groups conducted by amateurs. Nevertheless, executives whose companies have been using these materials assert: "People almost without exception will come up with the right answers if they know the facts, because the right answers must be found when one thinks problems through."

—STANLEY KLIGFELD. *The Journal of Commerce*, September 20, 1954, p. 1:2.

Letting Salesmen Set Their Own Quotas

AN EXTRAORDINARILY successful sales quota system used by a New Jersey industrial distributor shows that letting salesmen help set their own quotas can pay off in more ways than one.

Once a year, Squier, Schilling & Skiff (Newark, N. J.) takes its 14 salesmen off calls. They sit in the office and work out, for each of their customers and prospects, two figures for every one of the 20 lines handled by the firm: (1) total annual purchases by each account of each of the 20 lines; and (2) percentage of the total purchases of each of these 20 lines the salesman expects to get for the coming year.

When you ask a salesman to estimate how much of a certain product one of his customers buys, he is likely—unconsciously or otherwise—to make things easy for himself by setting the figure low.

So this distributor checks over the salesmen's figures and compares the estimates for one company with those of a company in a similar line of business, allowing for the difference in size. Where there is doubt, he asks the company for the information.

Obviously, it's smart to get the salesman into the act. He has more faith and more interest in what he has had a hand in computing, and this is the best possible of all ways of getting him to sit down and analyze his territory. But it's a good idea, too, to keep a check on salesmen's estimates.

—*Printers' Ink* Vol. 246 No. 8

Employing the Handicapped: One Company's Plan

A PLAN FOR employing the physically handicapped has resulted in 1,200 placements of handicapped people at the Ford Motor Company over the past six years.

At the Rouge Plant in Dearborn, Michigan, there are more than 4,100 known physically handicapped persons at work. These include workers who have lost one or both arms or legs, blind workers, and others suffering from back and spine injuries, deafness, diabetes, epilepsy, nervousness, heart ailments, and other illnesses.

These figures have particular significance in a "heavy" industry and in plants where nearly all of the 4,000 hourly job classifications are in direct production activities. There are few "light" or "easy" jobs, and no special jobs are created for the handicapped. The company's policy is that an individual is properly placed only on a regularly established job that must be done anyhow, whether by an able-bodied or a handicapped person—and the handicapped person must meet production standards for the job.

Rehabilitation and placement of the physically handicapped is a team effort at Ford. The team is made up of the safety, workmen's compensation, medical, and medical placement departments—and the supervisors or foremen.

The safety department reflects the firm belief that prevention is still the best solution to the problem of physical handicaps. During the past six years, Ford has reduced its accident frequency rate by 80 per cent. Therefore, the great majority of physically handicapped people at Ford either suffered non-occupational disabilities after being hired or were already disabled at the time they were hired.

The workmen's compensation department, of course, is responsible for the prompt settlement of valid claims for compensation. In addition, it cooperates with company and private medical authorities and state compensation commissions in developing and arranging rehabilitation programs for disabled employees.

Job placement of the physically handicapped actually begins with the medical department. In addition to providing medical treatment and an extensive industrial hygiene program, this department examines all new employees and all employees returning from sick leave to determine definitely their physical capabilities. If any physical disability is found, the doctor's diagnosis and his recommendations as to work limitations are forwarded to the next member of the team—the medical placement unit, whose services are available to all physically handicapped employees, not just to those who have suffered occupational injury or disease.

Once the medical phase has been completed—and this, of course, may involve treatment, prosthesis, and even job training—the placement unit begins its work. Placement involves a number of important considerations: the employee's physical and occupational capabilities; occupational aptitudes and attitude; his occupational and wage history, seniority, and performance on previous assignments; the suitability of current job openings, as reported by supervisors; the physical and other requirements of these jobs; and the safety of the physically handicapped employee and his fellow workers.

With this information as a guide, the placement unit attempts to place the worker in a job that he can do safely and efficiently. Finding these jobs is not a

matter of chance or last-minute searching. Five staff members spend full time surveying all the kinds of jobs in the Rouge plant area to determine which can be done by handicapped persons and by what type of handicapped person. And since each of the more than a dozen different plants in the Rouge area has its own seniority system, the opening, wherever possible, must be in the plant where the handicapped person has seniority.

The next step in placing the worker falls to the fifth member of the team—the supervisor—whose full cooperation is essential to proper placement of the handicapped. Many supervisors have tended to resist any placement policy which might restrict the versatility of their work force or materially reduce its productivity. Ford has approached the problem by constantly improving the whole rehabilitation process, by giving the supervisor a full voice in placement matters, by making certain he is well informed as to the capabilities of handicapped persons sent to him, and by servicing any complaints, either by him or by the handicapped employee, after the job placement has been completed.

At Ford, there is a strong feeling that successful placement depends upon maintenance of this personal relationship between the employee, the placement officer, and the foreman. After a handicapped person has been placed on a job, the placement unit checks periodically to make sure that both the employee and the foreman are satisfied. If the employee is transferred later to another job, the placement unit is notified so that it may approve the new type of work the employee will be doing. If the handicapped employee should be laid off through no fault of his own, the placement unit again tries to place him permanently.

If, as often happens, no job opening can be found for an employee who becomes disabled, his name is placed on a "medical recall" list, and he is taken off the active rolls until suitable work is available. Meantime, no handicapped persons from outside the company can be hired, since it would be unfair to take on other handicapped workers until jobs have been found for people who have become disabled while employed by the company.

—Robert T. Ross. *Monthly Labor Review*, Vol. 76, No. 12, p. 1299:3.

Wash-Up Provisions in Union Contracts—A Survey

MORE THAN one-fourth of the workers who wash up on the boss' time are given 10 minutes for such activity under their union contracts, reports Commerce Clearing House, Chicago. An analysis by the United States Bureau of Labor Statistics, says CCH, shows that of other workers included in the survey, 16 per cent were given five minutes, 5 per cent from five to 10 minutes, 8 per cent were given 15 minutes, and 2 per cent more than 15 minutes.

The report was based on a survey of 1,840 contracts covering more than 6 million workers. Of these contracts, 310—or 17 per cent—set aside paid time for wash-up, clean-up, or clothes-changing.

The wash-up clause was in 195 of the 1,840 contracts studied, the clean-up in 103, and the clothing-change in 43. Some of the contracts included clauses for more than one of these activities.

—American Business 7/54

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

INDUSTRIAL PARTICIPATION IN ATOMIC ENERGY DEVELOPMENT. *Bulletin No. 25* Council for Technological Advancement (120 South La Salle Street, Chicago 3, Illinois). Gratis. The passage of the Atomic Energy Act of 1954, which encourages industry to contribute its share in the future development of the atomic energy industry, makes it virtually certain that business will now assume a substantially more significant role in this field. Here is a helpful review and interpretation of the provisions of the Act of primary interest to industry, and an over-all report of industrial progress in this field to date.

COORDINATING TECHNICAL AND MARKETING RESEARCH. By B. F. Bowman. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), July, 1954. Gratis. Successful corporate growth and diversification demand that market research and technical research be closely coordinated; preferably, the author holds, through the agency of a third, unrelated corporate area. An interesting feature of this discussion is a group of charts showing the different functions and activities that fall within the areas of responsibility of market research and technical research, respectively, in the course of the five stages through which the new product or project typically must pass: ideas, investigation and exploration, research and development, testing, and initial sales and manufacturing.

HOW TO ESTABLISH COMMUNICATIONS IN A DIVERSIFIED AND DECENTRALIZED COMPANY. By Willard F. Rockwell, Jr. *Management Methods* (141 East 44 Street, New York 17, N. Y.), October, 1954. 50 cents. Near-total disclosure of operating information to a rather extensive group of sales management, production, and sales personnel is the basic policy adopted by the Rockwell Manufacturing Co. to obviate the communications problems arising from product diversification and plant decentralization. This article describes the specific communications tools and techniques that have enabled management to keep informed, to encourage initiative in plant managers, and to develop and maintain competent and versatile sales and production staffs.

STEADIER JOBS: AN ACTION PROGRAM FOR MANAGEMENT. Economic Research Department, U. S. Chamber of Commerce, Washington 6, D. C. 1954. Single copies 25 cents. This 16-page pamphlet describes some tested sales, production, and personnel policies that have enabled a number of companies to reduce irregular employment. Includes a brief selective bibliography on employment regularization and a group of questionnaires designed to help employers assess, and find ways to improve, their firms' job stabilization policies.

CONSTRUCTION BOOM: NO END IN SIGHT. By Emerson P. Schmidt. *Nation's Business* (1615 H Street, N.W., Washington 6, D. C.), November, 1954. 60 cents. Dramatic increases in population, continuing prosperity and the growing mobility of labor have all combined to keep construction running ahead of the nation's other industries since World War II. Moreover, the author foresees that the replacement rate of housing may increase by as much as 500 per cent in the next 25 years and that this boom will be felt, in turn, by many other industries—particularly utilities, household goods, and appliances.

WHY AMERICAN FIRMS LOOK TO EUROPE FOR BASIC RESEARCH. By C. D. Clawson. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), October, 1954. 35 cents. Increasingly, American manufacturers are "farming out" their basic research problems to European designers and technicians because, as the author sees it, European research is cheaper than domestic—and the quality is just as good.

INDUSTRIAL RELATIONS

PSYCHIATRY IN INDUSTRY. By Temple Burling. *Industrial and Labor Relations Review* (New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York), October, 1954. $1.25. Some highly interesting observations on problems and progress in industrial psychiatry by one of the foremost spokesmen in the field. Going beyond the industrial psychiatrist's role in administering "emotional first aid" to disturbed employees, Dr. Burling discusses the larger contributions the psychiatrist can make (i. e., in terms of the greater number of persons affected) in helping management to develop policies that foster better human relations on the job.

ARE YOUR TIME STUDIES TOO EXPENSIVE? By E. A. Cyrol. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), November, 1954. 50 cents. Only about 30 per cent of the production standards used in industry are established through the application of standard data, asserts the author; the remaining 70 per cent are based on time studies alone. This article presents a seven-step program for the development of standard data, which in the author's opinion offer great potential savings in this area and are far more widely applicable than is commonly supposed.

RECREATION PROGRAMS IN INDUSTRY: HEALTH ASSET OR LIABILITY? By Jean Spencer Felton, M.D. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), September, 1954. 75 cents. A detailed discussion, supplemented by copious references, of an undesirable but seemingly inevitable by-product of industrial recreation and athletics programs—incapacitating injuries. The author does not suggest the curtailment of such programs, but does recommend—among other things—that their supervision be improved, and that suitable insurance coverage be established.

TRAINING ENGINEERS—A MUTUAL JOB FOR COLLEGES AND INDUSTRY. By C. H. Shumaker. *Mechanical Engineer* (29 West 39 Street, New York 18, N. Y.), October, 1954. 75 cents. While much has been written about the numerical shortage of engineers, there is a further, qualitative imbalance between supply and demand caused by lack of close cooperation between education and industry. In this connection, the author discusses a number of steps industry should take in its own long-range interests—among them: Keep colleges and universities better informed of its changing needs; give recognition to the value of advanced degrees to those who acquire them before seeking employment; help maintain professional standards through proper recognition of professional licensing and through participation in professional societies; eliminate discrimination, and compensate engineers on the basis of their true worth.

ATTITUDE SURVEY FOLLOWED UP BY "FEEDBACK" SESSIONS. By Robert H. Milligan and John E. Osmanski. *Personnel Journal* (Swarthmore, Penna.), July-August 1954. A common weakness in management's use of attitude surveys is its failure to follow through on the results and to take remedial action where needed. Of interest, therefore, is this account of Crucible Steel's study of supervisory attitudes toward company policies and programs and the series of "feedback" training sessions that were designed specifically to clearing up misunderstanding revealed in the survey.

EMPLOYEES WITH HEART CONDITIONS. By Marion L. Briggs. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1954. 35 cents. By making individual appraisals of employees with heart disorders, the New York Telephone Company has succeeded in using their talents while helping them to enjoy a longer, happier life. Pointing out that cardiacs account for only 6 per cent of absenteeism among employees at this company, this article shows how various work adjustments were made in three specific cases.

TRADE UNIONISM AND THE INDUSTRIAL FOREMAN. By Robert Scigliano. *The Journal of Business,* University of Chicago (University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill.), October, 1954. $1.75. Surveying the current status of foremen's unions, the author finds that industrial supervisors for the most part have shown little interest in unionization since the abnormal wartime period, and that most industrial foremen are convinced—despite certain dissatisfactions with their jobs—that their interests can best be served through their identification with management.

OFFICE MANAGEMENT

ELECTRONICS—PILE DRIVER ON A TACK? By John S. Coleman. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), October, 1954. 50 cents. Too many office managers tend to look ahead to the era of the electronic office as the "white hope" for office productivity. Without gainsaying the value and importance of coming developments in this field, the author urges that office managers make the most of tools and techniques that are already at their disposal—many of which will continue to be more practical, flexible and economical for certain operations than their mechanized counterparts of the future.

HOW MUCH DOES IT COST TO COMMUNICATE? By C. I. Keelan. *The Office* (232 Madison Avenue, New York 16, N. Y.), September, 1954. 25 cents. Features a series of tables giving the actual costs of various methods of communication (letter, telephone, telegram, etc.) for communications of various lengths, as worked out by the Johns-Manville Corp. as a cost-cutting tool for their personnel. Among the conclusions suggested by these data: a 100-word letter costs less than a domestic telegram of any length sent any distance, and less than a three-minute telephone toll call to any point more than 50 miles away.

THE MANAGEMENT AND CONTROL OF REPORTS. By Milton Reizfeld. *The Office* (232 Madison Avenue, New York 16, N. Y.), September, 1954. 25 cents. The report is the most expensive document prepared in business, asserts the author; yet though reports are usually prepared at the request of middle or top management, records management and systems and procedures analysts have devoted most of their attention to the creative records procedures of first-line supervisors and their staffs, to the neglect of the part played by higher echelons of management. This article presents a four-phase program for eliminating unnecessary costs in this area and insuring continued economy.

UNIONIZATION OF OFFICE EMPLOYEES. By Elinor Waters. *The Journal of Business*, University of Chicago (University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill.), October, 1954. $1.75. This report on the current status of white-collar unionization indicates that approximately 13 per cent of eligible office workers are now organized. Among the major trends noted is a shift in labor's organizational strategy whereby office workers are being encouraged to join industrial unions rather than separate white-collar unions as in the past.

PRODUCTION MANAGEMENT

AUTOMATION. *The Iron Age* (100 East 42 Street, New York 17, N. Y.), October 21, 1954. 50 cents. A special 24-page section devoted to the latest developments in the field of automation with chief emphasis on savings of manpower and costs. Of particular interest to manufacturing executives concerned with metal-working operations.

WHAT PRODUCTION PLANNING CAN DO FOR COST CONTROL. By Earl L. Petersen. *NACA Bulletin* (505 Park Avenue, New York 22, N. Y.), Part I, October, 1954. 75 cents. A production schedule prepared expressly to meet customer requirements may impose irregular volume on the manufacturing plan when converted to machine and man hours. Outlined in this article is a plan whereby this conversion can be accomplished as a step in setting up a final production schedule for any period in advance for the year ahead. From this a weekly manufacturing schedule is derived with the twofold purpose of maintaining an even production load and allowing for flexibility in short-range planning.

THE INTEGRATED LINE: AN APPROACH TO AUTOMATION. By Don A. Cargill. *Automatic Control* (430 Park Avenue, New York 22, N. Y.), October, 1954. $1.00. Many practical difficulties—not least of them cost—are likely to confront the manufacturer who wishes to reap the benefits of automatic production. This article describes a new approach to this problem, built

around the concept of the "integrated line," which involves bringing all the processing operations on a given part to a single location, permitting the part to progress automatically in series through conventional processes executed by both conventional and special machines, all interconnected with automatic controls and supplied with storage banks so that exact synchronization between machines is not required.

HOW YOU CAN AUTOMATE. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), August, 1954. 50 cents. A question-and-answer treatment of the problems to be faced in switching to automatic production, illustrated by diagrams of automatic processes now in operation in several industries. Specific suggestions are given on the key steps to be followed in automating a process, purchasing automation equipment, preventing pile-ups, controlling the equipment, adapting the product to automation, and utilizing personnel. Existing production machines can often be successfully automated, the author points out, citing several advantages of beginning your automation this way.

PURCHASING FOR DEVELOPMENT AND PRODUCTION. By Robert G. Francis. *Purchasing* (205 East 42 Street, New York 17, N. Y.), October, 1954. 50 cents. This case account of the purchasing practices of one aircraft manufacturer engaged almost entirely in experimental and development work points up some of the special problems involved in purchasing for product research and "test" purposes. For in such operations, speed of procurement is often a necessity; a large proportion of materials requisitions are "one shot" purchases; it is often necessary to purchase small quantities of a large variety of merchandise; and many other special problems arise as a result of constant design and process changes.

MARKETING AND SALES MANAGEMENT

GE SEEKS THE ANSWERS IN ITS DISTRIBUTION SYSTEM. *Business Week* (330 West 42 Street, New York 36, N. Y.), October 2, 1954. 25 cents. Production schedules are generally geared to the quantity of goods a company expects to be able to sell to its distributors rather than to the actual movement of goods at the consumer buying level. In an attempt to solve its peak-and-valley production problems, GE has undertaken a two-year research study into consumer buying habits, and preliminary results already suggest that the company may be able to effect some major improvements in terms of stabilized output and steadier employment.

BEFORE YOU PLAN A MOTION PICTURE. By Fred C. Regan. *Sales Meetings* (1200 Land Title Building, Philadelphia 10, Penna.), October 1, 1954. $2.50. This review of the steps to be followed in planning an industrial film for sales promotion purposes offers some ideas for "angling" the product story to interest its potential audience and on selecting and working with an outside film producer. Also discusses some technical considerations—e.g., the choice between color and black and white, effective use of the sound track, methods of distributing the finished film, etc.

HOW TO PLAN AND STAGE A DEALER SALES CLINIC. By D. Lloyd Allor. *Sales Meetings* (1200 Land Title Building, Philadelphia 10, Penna.), October 1, 1954. $2.50. This article highlights the results of Victor Adding Machine Company's extensive experience in staging sales promotion clinics for its dealers. The author emphasizes that dealers are primarily interested in information which will help them beat competition in a selling situation and that the clinic should hit these points and then stop. Putting too much weight on arguments against competitive products may make dealers apprehensive about sales resistance and negate the positive effects of the session.

THIS FIVE-WAY MANPOWER PROGRAM CUT SALESMEN'S TURNOVER 50%. By Robert Zinn. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), September, 1954. 50 cents. In light of the fact that the Standard Register Company invests more than $6,000 in the training and development of every salesman, its reduction of turnover by 50 per cent represents dramatic cost savings, aside from other obvious benefits. This article describes the personnel practices the company has followed in order to attract—and hold—competent salesmen.

FINANCIAL MANAGEMENT

IS INFLATION THE PRICE OF EXPANSION? By Arthur W. Viner. *Challenge* (32 Broadway, New York 4, N. Y.), November, 1954. 20 cents. Now that the economy appears to have recovered from the recent recession, and major expansion plans are underway, inflation may again become a threat, the author believes. He suggests, however, that if we move out of the readjustment as gently as we slipped into it, we can resume an expansion of the economy without upsetting the present stable wage and price levels.

FUNDAMENTALS OF PENSION AND PROFIT-SHARING PLANS. By Meyer M. Goldstein. (Pension Planning Company, 260 Madison Avenue, New York 16, N. Y.). This somewhat general review of the fundamental policy questions management must decide in setting up pension and profit-sharing plans covers such considerations as: funding methods, eligibility requirements, collective bargaining aspects, hedges against inflation and deflation, and social security changes.

WOULD OPERATIONS RESEARCH HELP IN YOUR COMPANY? By Jack W. Dunlap. *NACA Bulletin* (505 Park Avenue, New York 22, N. Y.), Part I, October, 1954, 75 cents. Following a lucid explanation of the principal concepts and methods underlying operations research, the author goes on to describe a number of business problems of considerable range to which it has been profitably applied.

THE FUTURE OF LEASE FINANCING UNDER NEW DEPRECIATION RULES. By Albert H. Cohen. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), August, 1954. 75 cents. Analyzes the advantages of long-term leasing as against owning of certain types of property in the light of the liberalized depreciation policy in the new internal revenue code.

HOW THE NEW TAX LAW HELPS YOU. By Charles B. Seib. *Nation's Business* (1615 H. Street N. W., Washington 6, D. C.), September, 1954. 60 cents. Reviews the major tax-relief provisions of the new internal revenue code, covering changes affecting personal income taxes as well as those affecting corporate taxes.

INSURANCE MANAGEMENT

TAKING THE ATROPHY OUT OF CATASTROPHE. By Stanwood L. Hanson. *Credit and Financial Management* (229 Fourth Avenue, New York 3, N. Y.), October, 1954. 25 cents. This case account of the physical rehabilitation program of a leading insurance company cites some persuasive facts and figures in support of prompt and thoroughgoing medical care for workers suffering from occupational diseases or disabilities. In a study of 2,614 cases of all kinds—a large proportion of them very serious—it was found that intensive treatment enabled 84 per cent to return to work. Costs per case averaged $560.

PHILOSOPHY OF HEALTH INSURANCE. By Jarvis Farley. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), November, 1954. 50 cents. The author strongly feels that government control or subsidy of health insurance would be highly uneconomic, aside from being at variance with our democratic ideals of free choice. In the rare instances where voluntary insurance cannot be used to help budget health costs, he recommends use of a kind of community subsidy, openly applied and properly controlled, with no element, however, of compulsion or disguised participation by the Federal Government.

NEW WORKMEN'S COMP POLICY. By Elliott B. Brown. *The Casualty & Surety Journal* (60 John Street, New York 38, N. Y.), November, 1954. $1.50. A comprehensive review of the provisions of the new workmen's compensation policy which became effective October 1, 1954, and which will be used in all states where private carriers are permitted to write insurance under the various local workmen's compensation laws.